

***APPRAISAL REPORT
OF HATILLO SHOPPING VILLAGE
LOCATED AT KM. 86.7 OF
STATE ROAD # 2, PUEBLO AND CARRIZALES WARD,
HATILLO, PUERTO RICO***

PREPARED FOR:

***BANCO POPULAR DE PUERTO RICO
SAN JUAN, PUERTO RICO
ATT.: MS. NELLIE RAMIREZ VAZQUEZ

(AMERICAN MANAGEMENT INC.)***

PREPARED BY:

***GUIDO PICÓN & ASSOCIATES
#1569 GILA STREET, CARIBE DEVELOPMENT
SAN JUAN, PUERTO RICO 00926***

AS OF:

SEPTEMBER 19, 2020



October 27, 2020

Ms. Nellie Ramírez Vázquez
Banco Popular de Puerto Rico
San Juan, Puerto Rico

Dear Ms. Ramírez:

In accordance with your request, we have prepared an appraisal report of “Hatillo Shopping Village”, located at Km. 86.7 of State Road #2, Pueblo and Carrizales Ward, of the Municipality of Hatillo, Puerto Rico. This property was last appraised by our office in October 2002.

The review department requested that we added some additional assumptions. To comply with this request, we prepared a new report with the same effective date but a new preparation date of October 27, 2020.

According to the documents provided by the owners, and the inspection, the subject property consists of a strip type building, comprising a gross area of approximately 77,771 square feet including approximately 2,210 square feet of covered balcony area. According to the rental contracts the sum of the tenants on the strip total 46,570 square feet of leasable area.

The subject also has parking for approximately one hundred eighty-five (185) vehicles. The Shopping Center is constructed on a lot comprising 7,955 square meters. This site has leveled to rolling towards its back topography, with an irregular shape, having good access through SR-2 and SR-119 and good exposure to SR-2.

At the effective date of this report, the subject has several tenants with rental contracts in force. Thus, the value estimated in this report, is the Market Value of the subject in its Leased Fee Estate. In this case two of the contracted rents were found to be above market levels, thus we developed the market value of the Leased Fee as per the contract and as per market rents.

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Therefore, considering the scope of work and the property faced by the appraisers we developed two scenarios. Scenario One which assumes that the rental contract with D'Mart Technical Institute is secured and effective as planned and Scenario Two which assumes that the vacant area to be rented to D'Mart Technical Institute, will be rented at market levels. For this second scenario we developed the income and the Sales comparison approaches.

Excluded from this appraisal were: all equipment, personal property, or any current or intangible assets that may exist, with the exception of that equipment typical for the operation of this type of building such as; air conditioning, fire extinguishing system, electric system and others.

The subject is located on a commercial (CT-I) zone according to Puerto Rico Planning Board. The owner provided the use permit for the operation of the existing facilities. According to FEMA map panel number 72000C-005J, the subject is located out of flood prone areas, zone X.

Within the constraints of adequate available data, this appraisal report intends to conform to the standard set forth according to Title XI of the Financial Institution Reform Recovery and Enforcement Act of 1989 (FIRREA).

For the subject's Market Values Estimate, we used the Income and the Sales Comparison Approach. Considering the market conditions the Cost Approach was also discarded.

After a personal inspection and a thorough study of the market and all factors affecting value on the subject area, it is our opinion that the estimated Market Values of the subject property, as of September 19, 2020, in Leased Fee Estate, were:

Market Value for Scenario One (Assuming D'Mart Technical Institute contract as planned.)

**Three Million Six Hundred Thousand Dollars
\$3,600,000.00**

Market Value for Scenario Two- (Using rents at market levels)

**Two Million Dollars
\$2,000,000.00**

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This report was prepared for the sole use of our client, Banco Popular de Puerto Rico and its auditors, to be used on their analysis. It must not be used for any other use or rely upon by any third party for no reason whatsoever, without the express written consent of the appraisers.

The intended users of this report are not inferred to include, directly or indirectly, either the property owners or borrowers. The appraisers are not responsible for any unauthorized use of this report.

This report and its value conclusions are based on the extraordinary assumption that all the information provided by the Bank and by the owner, including but not limited to the size of the structures, the lot size, the rental contracts and summaries provided, the operating cost are true and correct. Also, the report is based on the additional extraordinary assumptions:

1. That the rental contract with D'Mart Technical Institute is secured and effective as planned.
2. The prospective rent in years 1 to 5 for D'Mart Technical Institute is contingent to government approval of proposal in D'Mart in the **premises of 20,048** square feet.
3. The prospective rent in years 1 to 5 for D'Mart Technical Institute is contingent to government approval of proposal in D'Mart in the **premises of 15,337** square feet.
4. Explain the proposal of the government and in what facts the government approval for the proposals are based and the probabilities of the approvals based in other cases with same conditions.
5. Under the contracts with D'Mart Technical Institute the tenant will made improvements estimated at \$2,091,199.04 for the upper level and \$1,668,507.54 for the mid-level as per conceptual proposal drawings prepared by TRG architects.
6. Regarding the tenant improvements, most locales are delivered in shell condition, and in some exceptional cases a rent consideration is made part of the tenant improvements. Therefore, according to the local industry parameters no allowance for these conditions will be considered.

If any of these conditions are not met this report and its value conclusions must be revised.

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The narrative appraisal report, "including the subject and its neighborhood description, pertinent market data, as well as our analysis and conclusions", follows.

Respectfully submitted,

A handwritten signature in blue ink, appearing to read 'G. Picón', with a stylized flourish at the end.

Guido E. Picón, MIE
State Certified General Real
Estate Appraiser
Certificate No. 40CG
State License No. 598EPA

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SUMMARY OF SALIENT FACTS AND CONCLUSIONS

Location

The subject is located at Km. 86.7 of S.R. #2, Pueblo and Carrizales Ward, on the Municipality of Hatillo, Puerto Rico.

Description

The subject property consists of a parcel of land comprising 7,955 square meters, improved with a strip type shopping center building comprising a total rentable area of approximately 46,570 square feet.

Final Values

Market Values

Scenario One-Assuming D'Mart rental contract	\$3,600,000.00
Scenario Two- Using market rent	\$2,000,000.00

Effective Date

The effective date of this appraisal is September 19, 2020. The preparation date of this report is October 27, 2020.

Property Rights Appraised

In Leased Fee Estate.

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STATEMENT OF THE PROBLEM

The Subject Property

The subject is “**Hatillo Shopping Village**”, located at Km. 84.7 of SR# 2, Pueblo and Carrizales Ward, on the Municipality of Hatillo, Puerto Rico.

It consists of a building, which is a three-story strip type shopping center building, comprise a total area gross construction area of approximately 77,771 square feet. According to the rental contracts the sum of all tenants occupied space total 46,570 square feet of leasable area.

The subject has a parking area for approximately one hundred eighty-five (185) vehicles. The Shopping Center is constructed on a lot comprising 7,955 square meters site with leveled to rolling towards its back topography, irregular shape, good access and exposure.

Owner

According to the information furnished to the appraisers, the subject is owned by Pier Property Management, Inc.

Effective Date

The effective date of this appraisal is September 19, 2020. The preparation date of this report is October 27, 2020.

Extraordinary Assumptions

This report and its value conclusions are based on the extraordinary assumption that all the information provided by the Bank and by the owner, including but not limited to the size of the structures, the lot size, the rental contracts and summaries provided, the operating cost are true and correct. If any of these conditions are not met this report and its value conclusions must be revised.

Hypothetical Condition

None.

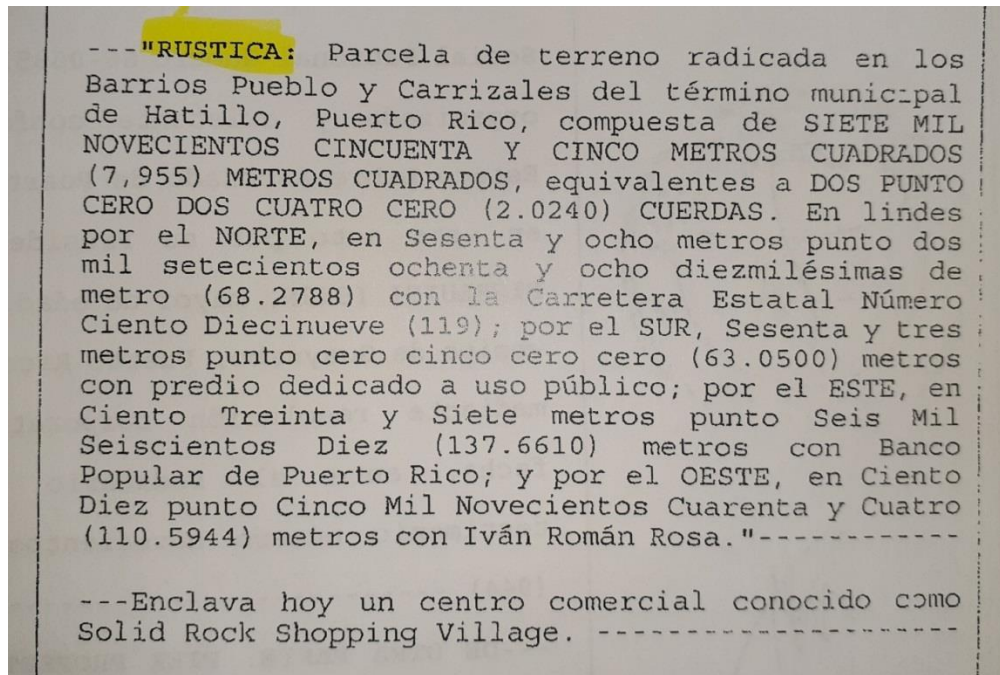
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Legal Description

The legal description is described in the Spanish language as follows:

**Purpose of the Appraisal**

To estimate the prospective Market Value and the Liquidation Value of the subject, "As Is"; in Leased Fee Estate.

Property Rights Appraised

The subject was partially rented at the inspection date, although there are two contracts that has been negotiated but are contingent on the approval of two separate proposals by the prospective tenant, D'Mart Technical Institute, with the Puerto Rico Housing Department. Thus, the value estimated in this report, is the Market Value of the subject in its actual **Leased Fee Estate and the market Value of the subject in its prospective and contingent Leased Fee Estate.**

Intended Use (Function) and Intended Users

This report was prepared for the sole use of our client, Banco Popular de Puerto Rico and its auditors, to be used on their analysis. It must not be used for any other use or rely upon by any third party for no reason whatsoever, without the express written consent of the appraisers.

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The intended users of this report are not inferred to include, directly or indirectly, either the property owners or borrowers. The appraisers are not responsible for any unauthorized use of this report.

History of the Property

The Uniform Standards of Professional Appraisal Practice require that in developing a real property appraisal, the appraisal must:

1. Consider and analyze any current agreement of sale, option, or listing of the property being appraised, if such information is available in the normal course of business.
2. Consider and analyzes any prior sale of the property that occurred within the last three (3) years.

The subject lot was purchased by the actual owners fourteen years ago and the existing improvements were made by them as far as it was informed to the appraisers. The appraisers have no knowledge of any option for the subject or that the subject is listed for sale.

Scope of the Appraisal

In basic terms, the scope of work is the work that the appraiser performs to develop credible assignment results. USPAP defines scope of work “as the type and extend of research and analysis in an assignment”. Client input is part of the appraisal process. Communication with the client is required to establish most of the information necessary for problem identification and scope of work determination.

It is the appraiser’s responsibility to determine and perform the appropriate scope of work.

The appraisers were furnished with the following documents and information for this report or for previous reports:

1. Copy of the rental contracts.
2. Description of the improvements
3. History of the property
4. Operating costs
5. Other related information.

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An appraisal report has been prepared for “Hatillo Shopping Village”, a three stories strip type shopping center located at Km. 86.7 of SR# 2, Pueblo and Carrizales Ward, on the Municipality of Hatillo, Puerto Rico.

In our analysis we considered all the subject’s pertinent data such as: size, location, quality, zoning, and the binding rental contracts and agreements. We also estimated subject’s building with the adequate conditions and quality assumed on this report. From the market we considered, sale of vacant parcels, sales of similar properties, and rental contracts of similar properties. In this case we found several rent rolls of shopping centers in similar locations, some of which were very recently negotiated.

As part of our analysis, we also interviewed owners of shopping centers, tenants of commercial properties, realtors of similar properties and leasing agents.

All the data obtained was used to estimate the Highest and Best Use as well as for the final value estimates.

We developed the Income and the Sales comparison Approaches. Due to the actual market conditions, the Cost Approach was also discarded.

The appraisers lack the knowledge and experience with respect to the detection and measurement of hazardous substances. Therefore, this assignment does not cover the presence or absence of such substances. However, the appraisers do not observe any visual or obvious indication of such presence.

The documentation necessary to arrive at the values was considered in this appraisal report. The market data has been collected, confirmed and analyzed. Comparables sales were chosen for their similar Highest and Best Use as outlined within the report. All sales were analyzed and compared to the subject based on their similarities and dissimilarities.

The replacement cost of similar properties, as well as the actual income of similar properties and the projected income for our subject based on the existing contracts was analyzed and adequately weighted. All these approaches were considered and judged in reaching a final estimate of values.

Once the appraisers were convinced that the data was adequate for the intended assignment, a Market Value of the subject parcel “As Is”, and on its estimated Highest and Best Use, was obtained using the applicable appraisal method.

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The last step was to prepare an Appraisal Report that would comply and conform with all the requirements presented for this assignment by our client and all the requirements of Title XI of the Financial Institution Reform Recovery and Enforcement Act of 1989 (FIRREA) effective on August 9, 1990, as well as the Uniform Standards of Professional Appraisal Practice (USPAP) of the Appraisal Foundation.

This format presents adequate data of the subject, its market, and neighborhood, as well as adequate data of the comparables presented, and a summary of the analysis made by the appraisers on the process of arriving to a value conclusion. The extent of the information presented was considered adequate for the intended users to understand the appraisers reasoning and make a sound judgment of the conclusions.

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DEFINITIONS

Fee Simple

An absolute fee, a fee without limitations to any particular class of heirs or restrictions, but subject to the limitations of eminent domain, escheat, police power, and taxation. An inheritable estate.

Leased Interest

One of the dividend interests resulting from separation of the bundle of rights by a lease, i.e., the Leased Fee Estate or the Leasehold Estate.

Leased Fee

A property held in fee with the right of use and occupancy conveyed by lease to others. A property consisting of the right to receive ground rentals over a period of time, plus the right of ultimate repossession at the termination of the lease.

Leased Fee Estate

The ownership interest of the property owner or landlord.

Leasehold

A property held under tenure of lease. The right of use and occupancy of real property by virtue of a lease agreement. The right of a lessee to use and enjoy real estate for a stated term and upon certain conditions, such as the payment of rent.

Leasehold Estate

A non-freehold estate, the tenant's or lessee's interest. An estate in property created by a lease.

Leasehold Value

The value of a leasehold interest, the right to the use, enjoyment, and profit existing by virtue of the rights granted under a lease instrument. The value of a leasehold interest is the Present (discounted) Worth of the rent saving, when contractual rent at the time of appraisal is less than the current market rent.

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If land is improved by the lessee, then the value of the leasehold interest is the present value of the saving in ground rent, if any, in addition to the value (not cost) of the improvements of the lessee. If the contractual rent is greater than the currently established market rent, the present worth of the difference is subtracted from the value of the improvements.

Market Value Definition

As defines in the Agencies' appraisal regulations, the most probable price which a property should bring in a competitive and open market under all condition requisite to a fair sale, the buyer and seller each acting prudently, knowledgeably, and assuming the price is not affected by undue stimulus.

Implicit in this definition is the consummation of a sale as of a specified date and the passing of title from seller to buyer under conditions whereby:

1. Buyer and seller are typically motivated.
2. Both parties are well informed or well advised and each, acting in what he considers his own best interest.
3. A reasonable time is allowed for exposure in the open market.
4. Payment is made in cash in U.S. dollars in terms of financial arrangements comparable thereto, and
5. The price represents a normal consideration for the property sold unaffected by special or creative financing, or sales concessions granted by anyone associated with the sale.

Extraordinary Assumptions Definition

An assumption, directly related to a specific assignment, which, if found to be false, could alter the appraiser's opinions or conclusions.

Comment: Extraordinary assumptions presume as fact otherwise uncertain information about physical, legal, or economic characteristics of the subject property; or about conditions external to the property, such as market conditions or trends; or about the integrity of data used in an analysis.

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Hypothetical Condition Definition

That which is contrary to what exists but is supposed for the purpose of analysis.

Comment: Hypothetical conditions assume conditions contrary to known facts about physical, legal, or economic characteristics of the subject property; or about conditions external to the property, such as market conditions or trends; or about the integrity of data used in an analysis.

Excess Land

Land that is not needed to serve or support the existing improvements. The highest and best use of the excess land may or may not be the same as the highest and best use of the improved parcel. Excess land has the potential to be sold separately.

Surplus Land

Land that is not currently needed to support the existing improvements, but cannot be separated from the property and sold off. Surplus land does not have an independent highest and best use and may or may not contribute value to the improved parcel.

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PUERTO RICO - SOCIO ECONOMIC INDICATORS

The US Census indicates a population near 3.2 Million residents in Puerto Rico by 2019, which presents a population density of 930 inhabitants per square mile, making it one of the highest in the US territory. The per-capita income and average family income were reported by the American Community Survey in \$12,450.00 for the per-capita and \$32,044.00 per family.

The Gross National Product Fiscal 2019 in Puerto Rico was approximately \$70.80 billion. By the same year, employment excluding the self-employed and agricultural workers were reported as 880,800. The household employment survey reported a participation rate of 40.6% and an unemployment rate of 8.3%. It also indicated a total employment including self-employed and agricultural workers for a total of 990,259.

The following grid shows some general indicators compiled from several sources:

General indicators for 2019	
Population	3,193,694
Population change from 2010 to 2019	-14.3%
GNP - fiscal 2019	\$70.8
GPN change from 2014 to 2019	-8.2%
Per Capita Income	\$12,451
Average Family Income	\$32,044
Salaried Employment	880,800
Total Employment	990,259
Labor Participation	40.6%
Unemployment rate	8.3%

The Puerto Rico Fiscal Crisis, the Hurricane María, the Earthquakes, and the COVID-19 Pandemic

Puerto Rico faces the most severe crisis in many decades. Due to the magnitude of the fiscal crisis, the US congress enacted PROMESA act which established a fiscal oversight and management to oversee the Puerto Rico Budget and general finances. It had the goal of stabilizing the debt and the general economy of the Island.

The commonwealth and its mayor corporations are under either the Title III or Title IV bankruptcy protection of PROMESA. The government and its corporation are under a process like the Federal Bankruptcy Law.

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During September of 2017, the Island was struck by two strong Hurricanes, Irma and María. Specially María, caused a large and widespread destruction which caused an exacerbation of the financial crisis and the general economy of the Puerto Rico residents. It is estimated that the total impact caused by María Hurricane was in the range of 65 billion.

The whole Island Electric system and most of the Telecommunication was disabled or destroyed. However, most of the physical loss was in the housing sector. Thousands of houses were significantly damaged. HUD allocated over 18 billion for several types of houses. This was the largest nonmilitary grant ever authorized by the Congress.

According to the Puerto Rico certified fiscal plan for 2018, the US Congress budgeted several disaster reliefs packages for the Island that totals 75.04 billion. The private insurance sector could add some additional 8 billion, for a total of 83.4 billion towards the disaster relief. This is a very large amount for the economy of Puerto Rico, even larger than the GNP. Also, according the COR3 reports of the total amount 49.1 billion have been allocated and 22.4 billion have been obligated.

Disaster Funds according to COR3 as of March 2020

	A	B	C
	Allocated	Obligated	Disbursed
Public Assistance	\$6,788,331,978	\$6,788,331,978	\$4,152,530,357
Administration	\$3,136,818,745	\$3,136,818,745	\$2,709,102,876
Operations	\$4,331,917,713	\$4,331,917,713	\$3,933,288,383
CDL	\$306,389,192	\$306,389,192	\$209,008,833
Individual Assistance	\$2,654,665,392	\$2,654,665,392	\$2,553,196,758
Mitigation Assistance	\$2,999,975,000	\$2,999,975,000	
Risk Mitigation	\$36,341,174	\$36,341,174	
Other Federal Funds	\$28,880,563,930	\$28,880,563,930	\$1,826,876,521
CDBG_DR PL 115-56	\$1,507,178,858	\$1,507,178,858	\$1,017,892
PL 115-123	\$18,438,414,000		
Other	\$8,934,970,930	\$3,539,082,477	\$1,825,858,629
Total	\$49,135,003,124	\$22,398,958,605	\$15,384,003,728

In the beginning of the year, large earthquakes (6.4) and replicas have been affecting the south west part of Puerto Rico, causing more effect on the housing and business of the area.

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Although the new condition, we expect a scenario with a large amount of funds picking up the economy. However, the actual economic scenario is quite different. In 2020, an unexpected and very strong health and economic shock materialized, due to the worldwide spread of Sars-COV-2, the virus that causes the COVID-19 disease.

Since March 15, 2020, the Government of Puerto Rico decreed a lockdown to prevent the spread of the virus. Unemployment within the private sector increased dramatically, as many businesses stopped operations. According to the Bureau of Labor statistics, the nonagricultural employment for May 2020 reduced in a 15% compared to the same months in 2019. The timing of this new condition was exceptionally bad for Puerto Rico, which was starting the recovery from Hurricane María. The timing of the pandemic and the earthquake on the south west of the Island was more than detrimental.

Forecast

It is estimated that Puerto Rico could be receiving a grant total; of 14.8 billion from the stimulus packages approved by the Congress and by the local government for the COVID-19. As early as June 2020, more than 1.0 billion of PPP funding has been granted in Puerto Rico adding to the 1.1 billion of the \$1,200.00 federal stimulus check that have been distributed to individuals and the 165.00 PUA funds. Additional funds are in the pipeline.

Regarding the María Hurricane Funds, the most recent information available was that 31.3% of the 49.1 billion allocated to Puerto Rico for disaster funds, (15.4%) have been disbursed. Of the CDBG fund, which accounts for a 41% of the total funding, only 1.0 billion have been disbursed. This has a similar performance with the additional funds such as FEMA and other sources that are being approved.

Any forecast done, must be looked under the context that we face a large uncertainty of the final impact caused by the COVID 19, which is almost impossible to measure at this point. However, we can give weight to the amount of money that is programmed to enter the puertorrican economy. Always considering not only the uncertainty of the arrival of funds and the difficult to measure the COVID effect, but also considering the present amounts of grants in comparison are very large for the Puerto Rico economy.

Considering the large amount of new money that should enter the economy of Puerto Rico and the actual and projected negative effect caused by the closing and limited operation of a large amount of businesses, such as restaurants and hotels, we can expect a small reduction on the economy for 2020, a limited growth on 2021 due to the offsetting between the negative and positive conditions and a probable more robust growth during 2022 and 2023.

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THE MUNICIPALITY OF HATILLO**Hatillo, Puerto Rico****Flag****Nickname(s):** "El Pueblo sin Sopa", "Capital De La Industria Lechera"

"Hatillo Del Corazón De Riego", "Tierra de Campos Verdes", "Los Ganaderos"

Anthem: "*De un mar azul en el Atlántico*"**Location of Hatillo in Puerto Rico**

Coordinates: 18.48633 - 66.82545

Country**United States****Territory****Puerto Rico****Founded**

June 30, 1823

Government• **Mayor****José A. Rodríguez Cruz (PPD)**• **Senatorial dist.****3 - Arecibo**• **Representative dist.**

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Area	
•Total	58.73 sq mi (152.10 km ²)
•Land	41.78 sq mi (108.22 km ²)
•Water	16.94 sq mi (43.88 km ²)
Population (2010)	
•Total	41,953
•Density	710/sq mi (280/km ²)
Demonym(s)	Hatillanos
Time zone	AST (UTC-4)
Zip code	00659

Hatillo

Spanish pronunciation: [a'tiʎo], *Smallherd*) is a municipality located on the U.S. territory of Puerto Rico's north coast, bordered by the Atlantic Ocean to the north, Lares and Utuado to the south, Camuy to the west, and Arecibo to the east. According to the 2000 US Census Hatillo is spread over 9 wards and Hatillo Pueblo (the downtown area and the administrative center of the city).

History

Don Agustín Ruiz Miranda, a Canarian immigrant, founded Hatillo on approximately ten "cuerdas" (a cuerda is 0.97 acre) in 1823. Miranda granted this land on the condition that public buildings be erected and wide streets be built, and that the remaining land be sold or used for homes.

Wards

- Aibonito
- Bayaney
- Buena Vista
- Campo Alegre
- Capáez
- Carrizales
- Corcovado
- Hatillo Pueblo
- Naranjito
- Santa Rosa

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Tourism

Landmarks and places of interest

- Antigua Central Bayaney
- Paseo del Carmen
- Francisco "Pancho" Deida Méndez Coliseum
- Hacienda Santa Rosa Ruins
- Juan Carmelo "Tito" Rodríguez Donate Stadium
- José Antonio Monrouzeau Theater
- La Marina
- Los Ilustres Park
- Virgen del Carmen Parish
- [Plaza del Norte](#) Mall
- Sardinera Beach
- Trapiche de Santa Rosa

Economy

Agriculture

Today, Hatillo is the major producer of milk on the island and produces a third of the milk consumed in Puerto Rico.

Business

[Plaza del Norte](#) is a shopping mall located in the Carrizales Ward.

Culture

Festivals and events

- "Las Tradicionales" Hatillo Mask Festival ("Día de las Máscaras") - The Mask Festival began in 1823, and was imported by the immigrants from the Canary Islands, where the traditional festival originated. The early tradition of the festival required that the male population dress as women and they would visit each residence where the owners would offer them food and drinks. Currently the festival is celebrated every year on December 28. The Masks are fashioned and based on the biblical story of King Herod ([Herod the Great](#)). The costumes used are very elaborate and the Masks represent the soldiers which were sent by the King to kill all the innocent Christian children of Israel. The festival however, is presented in humor and said soldiers only joke around and ride on chariots.

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- Truco (card game) - all year
- Fiestas de la Cruz - May
- Festival de la Caña de Azúcar- May; Very colorful and informative historical festival depicts how Sugar Cane was cultivated and transported all around the island mostly on coastal towns from late 19th century through the 1960s. How the Puerto Rican "Jibaro" worked the land to support his family from sunrise to sunset.
- Hatillo Day - June
- Matron Celebration - July; Its patron saint is Our lady of Mount Carmel. known as Virgen del Carmen. The patron saint festivities are held during the first 2 weeks of July and always includes the 16th of July in its weeks. The 16th of July is the Virgin of Carmel day, and it is celebrated with great pride and devotion still today. The day of the Virgin, La Patrona, is a very special day on our town with several all- day masses starting at 5 am with lots of penitents and favored-ones of the Patrona. Many people come every year for the High Mass at 3 pm. This mass includes the special procession and carriage of the venerated statue of the virgin through all the town center streets, and a special "trip" over to the near ocean shore by the local fishermen on their traditional boats known as "Yolas", because Our Lady Of Carmel is the Patron Saint of fishermen and it is a special devotion for our city.
- Festival Típico del Cooperativismo - October
- Festival de las Máscaras - 28 December (colorful mask festival)
- Typical Festivities - December

There is a tradition each year on the 28th of December which is known as the Máscaras (Masks) of Hatillo. This Tradition dates back to 1823, when the town of Hatillo was founded. This Tradition came with settlers from the Canary Islands. The meaning of this tradition is the Holy Innocents, or Santos Inocentes: the first martyrs of Christian faith from Matthew's story in which small children were killed by Herod in an unsuccessful attempt to kill Jesus.

It is a very special day with lots of fun and a large meeting of Mascaras: masked men and women of all ages, who wear costumes according to tradition, typically covered from head to toe, and parade through their town and nearby towns all day, making jokes and having fun, followed by a large multiple, and celebrated procession through all the town and nearby town's neighborhoods, and ending at the Hatillo town center.

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It is a multi-dynamic and wonderful experience for everyone in Hatillo and nearby towns. This special tradition came from the Canary Islands, the main place from Spain where the Hatillo, Camuy, and nearby town's Spanish immigrants arrived, mainly in the 1800s. Many of the native people of Hatillo, Camuy, Arecibo, and several nearby towns are proud to call themselves "Isleños", or people descendant from the Canary Island's immigrants.

The transportation to the events was traditionally on horseback, with still a few still doing it today, however, in more modern events the Jeep (carefully decorated to match the riders colors and costumes) and the "Carroza" (a homemade long cart with a long crankshaft and wheel, equally decorated) are used.

You can usually see groups of riders that can be a few dozen to groups of 100+ marching all around the town with their "carrozas" equipped with loud speakers, air horns, bright lights and typical music playing. They make frequent stops at homes and stores making pranks and asking for "offerings".

Usually food, drinks or money. Usually around mid-day the groups of riders (Usually with names that start with "Los" [name] Ex. Los Conservadores MEANING The Conservatives) head themselves to the center of the town for a parade and an award ceremony for best outfit, best sound, best "carroza" and others.

With the occasional friendly wrestling with opposing groups. Rules are first man pinned or dog pile as well everyone must drink to show the opposing team respect and new found camaraderie.

Demographics

White 76% Black Hispanic 25% Taino 6% Asian or Pacific Islander 0.02%

Additional Census Data considered on our market analysis follows:

Population Estimates

Geography	April 1, 2010		Population Estimate (as of July 1)							
	Census	Estimates Base	2010	2011	2012	2013	2014	2015	2016	2017
Hatillo Municipio, Puerto Rico	41,953	41,953	41,979	41,905	41,778	41,722	41,411	41,047	40,598	40,111

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Income by Households**Population by age**

Subject	Hatillo Municipio, Puerto Rico			
	Estimate	Margin of Error	Percent	Percent Margin of Error
SEX AND AGE				
Total population	40,978	*****	40,978	(X)
Male	19,706	*****	48.1%	*****
Female	21,272	*****	51.9%	*****
Sex ratio (males per 100 females)	92.6	*****	(X)	(X)
Under 5 years	1,853	*****	4.5%	*****
5 to 9 years	2,196	+/-332	5.4%	+/-0.8
10 to 14 years	2,719	+/-332	6.6%	+/-0.8
15 to 19 years	2,766	*****	6.7%	*****
20 to 24 years	2,750	*****	6.7%	*****
25 to 34 years	5,171	*****	12.6%	*****
35 to 44 years	5,454	*****	13.3%	*****
45 to 54 years	5,678	*****	13.9%	*****
55 to 59 years	2,468	+/-312	6.0%	+/-0.8
60 to 64 years	2,558	+/-312	6.2%	+/-0.8
65 to 74 years	4,454	*****	10.9%	*****
75 to 84 years	2,150	+/-202	5.2%	+/-0.5
85 years and over	761	+/-202	1.9%	+/-0.5
Median age (years)	40.7	+/-0.5	(X)	(X)

Poverty Status for the Last 12 months

Subject	Hatillo Municipio, Puerto Rico					
	Total		Below poverty level		Percent below poverty level	
	Estimate	Margin of Error	Estimate	Margin of Error	Estimate	Margin of Error
Population for whom poverty status is determined	40,862	+/-137	18,522	+/-1,483	45.3%	+/-3.6
AGE						
Under 18 years	8,370	+/-136	4,441	+/-637	53.1%	+/-7.6
Under 5 years	1,853	+/-29	1,071	+/-203	57.8%	+/-11.0
5 to 17 years	6,517	+/-136	3,370	+/-557	51.7%	+/-8.6
Related children of householder under 18 years	8,331	+/-200	4,402	+/-644	52.8%	+/-7.6
18 to 64 years	25,154	+/-21	10,326	+/-953	41.1%	+/-3.8
18 to 34 years	8,997	+/-20	3,878	+/-479	43.1%	+/-5.3
35 to 64 years	16,157	+/-3	6,448	+/-624	39.9%	+/-3.9
60 years and over	9,895	+/-320	4,866	+/-484	49.2%	+/-4.7
65 years and over	7,338	+/-27	3,755	+/-388	51.2%	+/-5.3
SEX						
Male	19,647	+/-73	8,547	+/-792	43.5%	+/-4.1
Female	21,215	+/-69	9,975	+/-879	47.0%	+/-4.1

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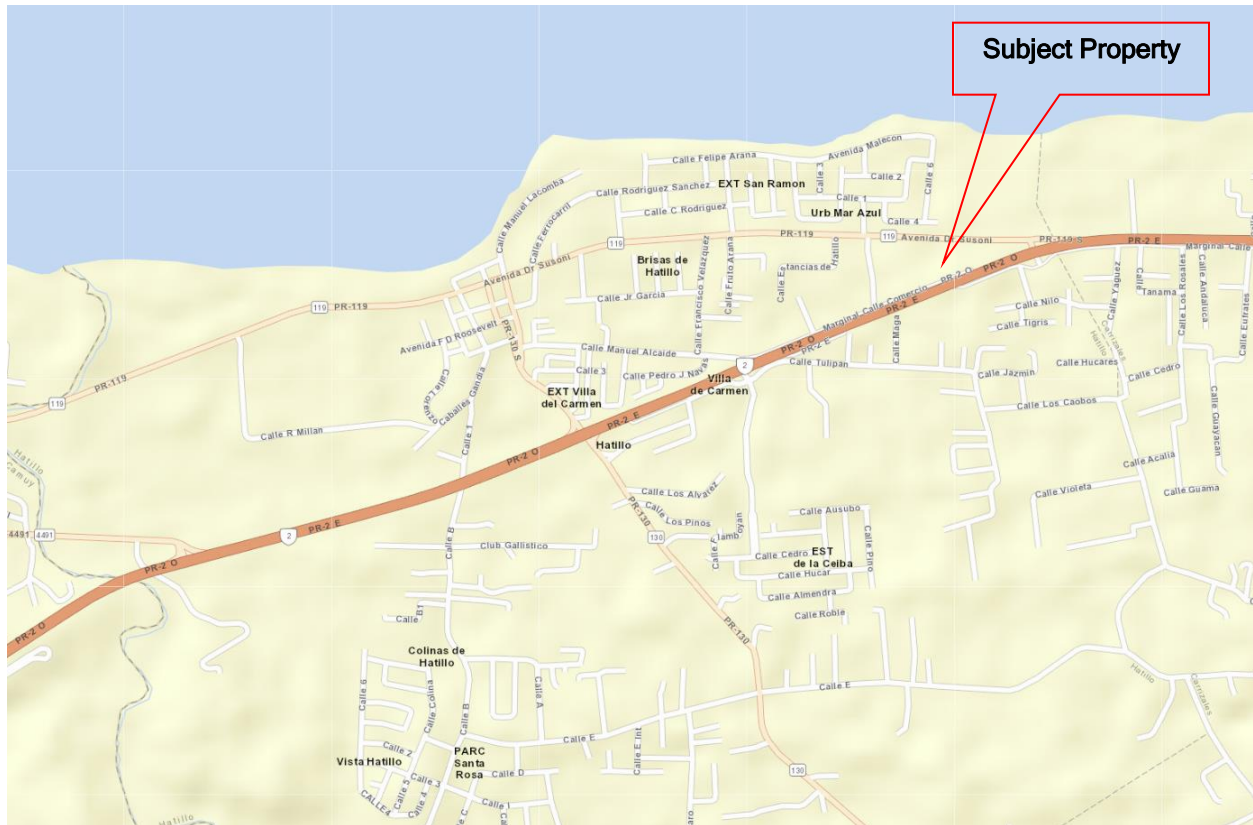
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Household Income past 12 months

Subject	Hatillo Municipio, Puerto Rico							
	Households		Families		Married-couple families		Nonfamily households	
	Estimate	Margin of Error	Estimate	Margin of Error	Estimate	Margin of Error	Estimate	Margin of Error
Total	14,443	+/-481	10,466	+/-523	6,948	+/-413	3,977	+/-435
Less than \$10,000	28.7%	+/-2.8	21.5%	+/-3.1	12.8%	+/-2.9	50.4%	+/-6.1
\$10,000 to \$14,999	15.8%	+/-2.1	13.7%	+/-2.4	13.0%	+/-3.2	19.9%	+/-4.7
\$15,000 to \$24,999	18.1%	+/-2.8	18.1%	+/-3.2	16.6%	+/-3.5	17.3%	+/-5.4
\$25,000 to \$34,999	11.1%	+/-2.2	13.8%	+/-2.9	14.7%	+/-3.5	4.6%	+/-2.4
\$35,000 to \$49,999	9.8%	+/-2.0	12.0%	+/-2.7	14.8%	+/-3.7	2.7%	+/-2.1
\$50,000 to \$74,999	9.6%	+/-2.0	12.5%	+/-2.8	16.5%	+/-3.9	2.0%	+/-1.9
\$75,000 to \$99,999	3.6%	+/-1.2	4.6%	+/-1.6	6.9%	+/-2.4	1.1%	+/-1.2
\$100,000 to \$149,999	3.0%	+/-1.3	3.3%	+/-1.7	4.0%	+/-2.1	2.0%	+/-1.9
\$150,000 to \$199,999	0.4%	+/-0.3	0.5%	+/-0.4	0.7%	+/-0.7	0.0%	+/-1.1
\$200,000 or more	0.0%	+/-0.3	0.0%	+/-0.4	0.0%	+/-0.6	0.0%	+/-1.1
Median income (dollars)	17,770	+/-1,471	22,702	+/-2,568	29,181	+/-2,622	9,921	+/-1,303
Mean income (dollars)	27,132	+/-1,983	31,577	+/-2,448	N	N	14,864	+/-2,802

LOCATION MAP



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NEIGHBORHOOD ANALYSIS

The subject is located at Km. 86.9 of S.R. #2 also facing S.R. #119 on the Carrizales and Pueblo Wards of Hatillo, Puerto Rico.

The subject lot is located at approximately one mile East of the Town of Hatillo, approximately five (5) miles West of the City of Arecibo, but most important is that our subject is approximately two (2) miles West of the access to De Diego Expressway, which together with S.R. #2 are the main arteries of the sector.

The neighborhood of our subject had been rapidly developing into an important commercial and residential sector of Hatillo and neighboring towns.

New and renovated shopping center, fast food outlets, office buildings, commercial free standings and residential developments clearly indicate the growth of the sector.

Conclusion

The subject area is considered an excellent commercial area with potential for further growth.

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SUBJECT PROPERTY

Location

The subject is located at Km. 86.7 of State Road #2, Pueblo and Carrizales Ward, on the Municipality of Hatillo, Puerto Rico. Approximately 2.3 miles west of the intersection of S.R. #2 and S.R. #22, José De Diego Expressway.

Size

According to the information furnished by the owners, the subject property consists of a parcel of land comprising 7,955 square meters.

Access, Frontage and Exposure

The subject has good access, from and to S.R. #2 and excellent exposure to S.R. #2. The back of the property face and has access to S.R. # 119.

Topography and Shape

The subject has a leveled to rolling towards its back topography, adequate for its actual use as a strip shopping center and its parking facilities, and an irregular shape.

Soils and Sub-Soils

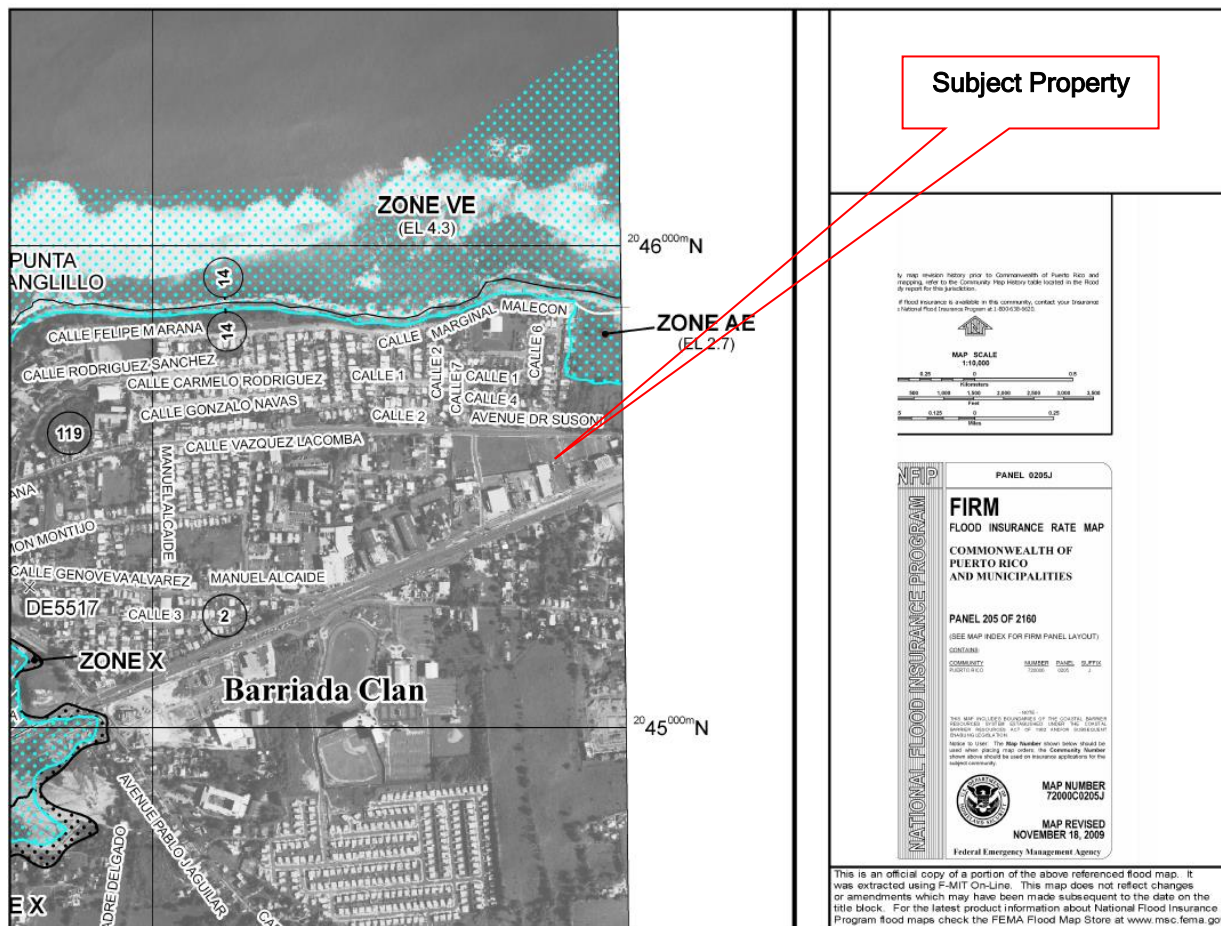
No soil study was provided to the appraisers. We assume the subject's soil to be adequate for normal use without abnormal expenditure.

Flooding

According to Flood Insurance Rate Map No. 72000C0205J of the Federal Emergency Management Agency (FEMA), the subject sector is located out of the floodable area (zone X). See copy of the map included.

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Zoning

The subject is located on a commercial (CT-I) zone, as per the Puerto Rico Planning Board webpage. According to a Use Permit # 2017-160307-PUS-047944 provided by the owner the subject has all the necessary permits for the operation of the existing facilities.

Infrastructure

Subject's neighborhood is served with the typical public utilities found in the Municipality of Hatillo, such as: potable water, electricity, sanitary and storm sewerage, telephone, garbage collection service and the like.

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Easements, Encroachments and Expropriations

By inspection, the parcel under study seems to be free of easements, which might affect its value, nor is it affected by encroachments of any kind. The appraisers assume that as of the date of this report, subject is also free of expropriation procedures.

Tax Data

According to the CRIM webpage, the property has a total assessed value of \$241,632.00. The tax rate for Hatillo is 9.05%; therefore, after the 10% discount for prompt payment, the tax burden is \$19,680.93.

	Cadaster #		Total
	010-040-001-75	010-040-001-74	
Land	\$ 7,500.00	\$ 7,500.00	\$ 15,000.00
Structure	183,147.00		\$183,147.00
Machinery	43,485.00		\$ 43,485.00
Subtotal	\$ 234,132.00	\$ 7,500.00	\$241,632.00

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Catastro: 010-040-001-74-000
Parcela: 010-040-001-74
Procedencia: 010-040-001-74
Dueño: PRIER PROPERTY MANGEMENT INC
Dirección física:
BO PUEBLO SOLAR #3, HATILLO
Cabida escritura: 3,930.39 m2
Area de mapa: 4,329.82 m2

VALORACION

Terreno: 7,500.00
Estructura: 0.00
Maquinaria: 0.00
Valor Total: 7,500.00
Exención: 0.00
Exoneración: 0.00
Sujeto a contribucción: 7,500.00

REGISTRO

Tomo: 293
Folio: 50
Finca: 50028
Escritura: 17
Venta: 3,200.00
Fecha de venta: 8/8/2006
Vendedor: UNLIMITED EMPIRE INC
Comprador: PIER PROPERTY INC

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Catastro: 010-040-001-75-000
Parcela: 010-040-001-75
Procedencia: 010-040-001-75
Dueño: PRIER PROPERTY MANGEMENT INC
Dirección física:
BO PUEBLO SOLAR #3, HATILLO
Cabida escritura: 3,969.69 m2
Area de mapa: 4,603.27 m2

VALORACION

Terreno: 7,500.00
Estructura: 183,147.00
Maquinaria: 43,485.00
Valor Total: 234,132.00
Exención: 0.00
Exoneración: 0.00
Sujeto a contribucción: 234,132.00

REGISTRO

Tomo: 294
Folio: 50
Finca: 50288
Escritura: 17
Venta: 3,200,000.00
Fecha de venta: 8/8/2006
Vendedor: UNLIMITED EMPIRE INC
Comprador: PIER PROPERTY MANAGE

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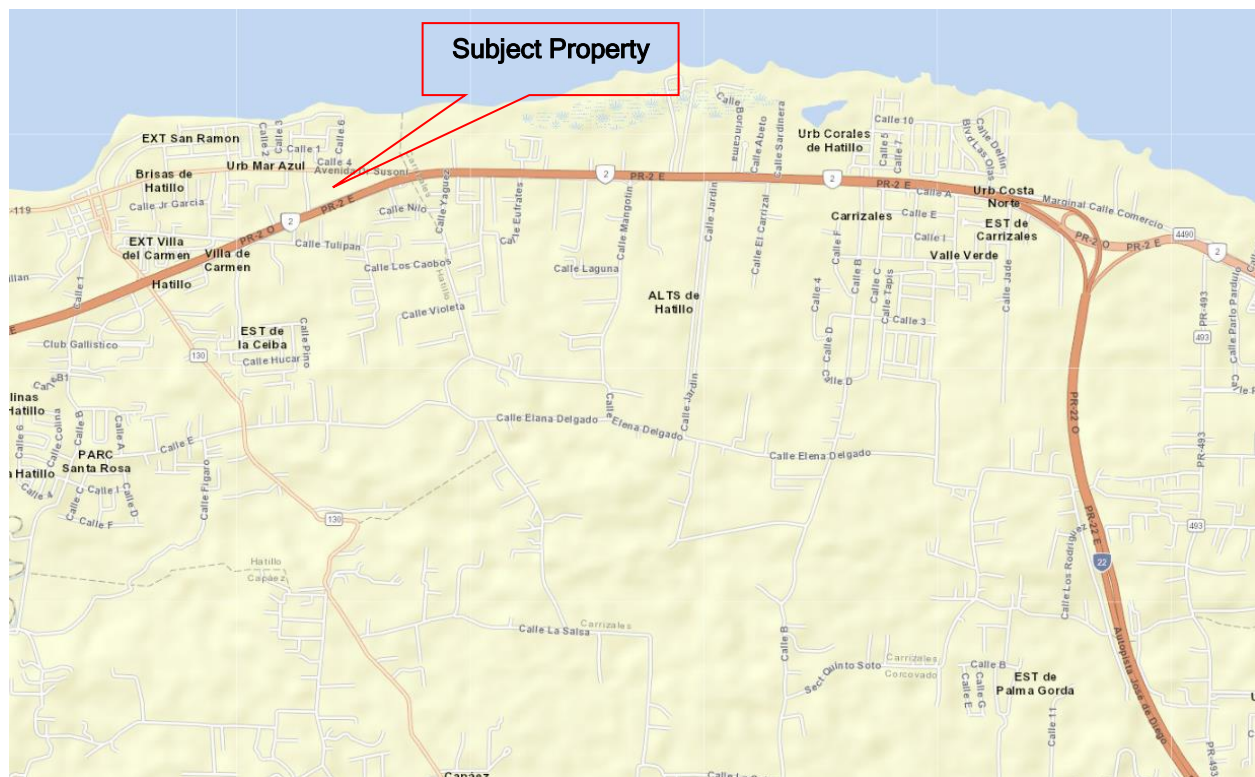
Environment Impact

No environmental impact studies were made in conjunction with this appraisal. The value estimates contained herein could be affected by subsequent environmental impact studies, research, investigations and resulting governmental actions.

Hazardous Material

The appraisers have no knowledge of the existence of hazardous materials such as asbestos, urea formaldehyde, radon gas, or any other that could have significant negative impact, on or in the property. The appraisers are not qualified to detect hazardous materials. The value estimate is predicated on the assumption that there is no such material affecting the property.

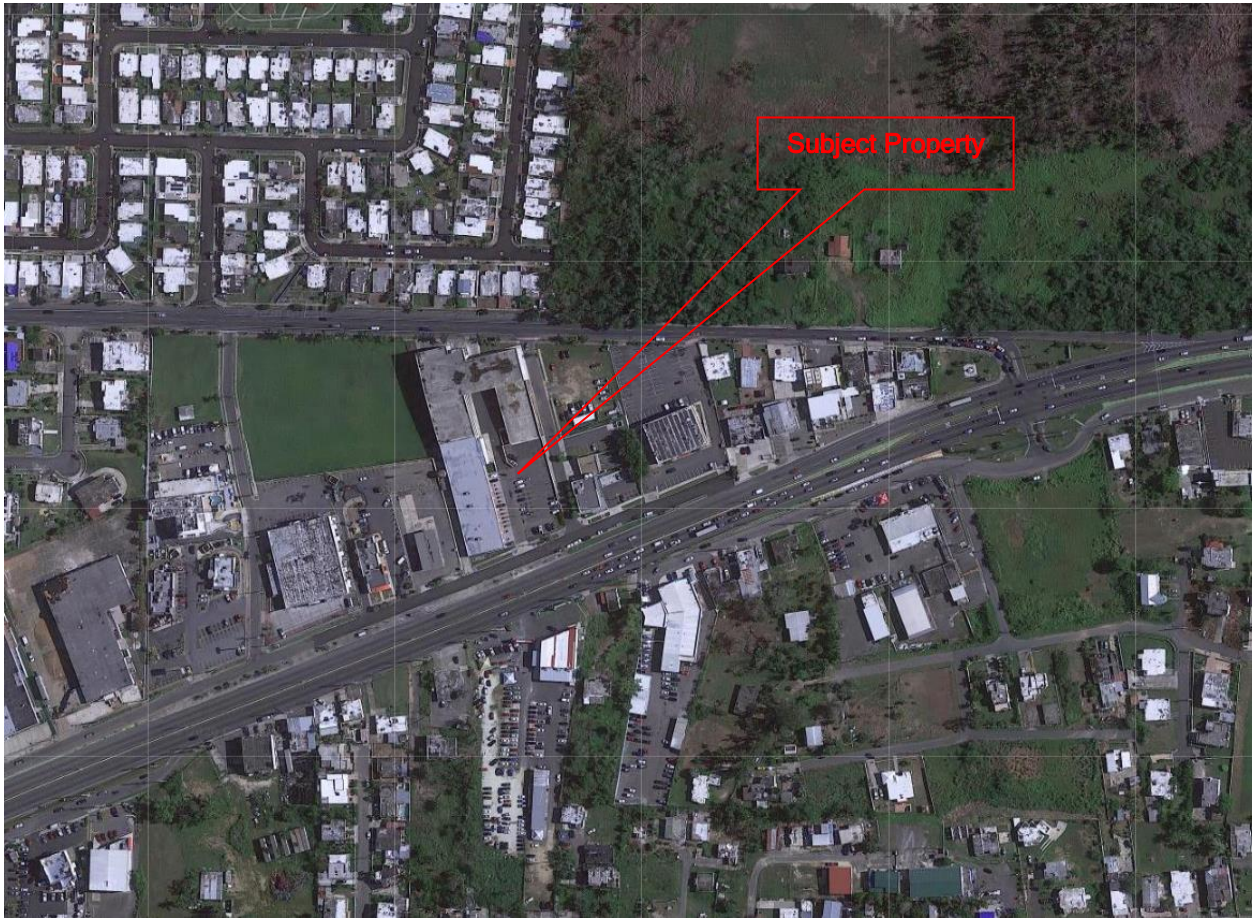
LOCATION MAP



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AERIAL PHOTO OF SUBJECT PROPERTY



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ZONING MAP



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DESCRIPTION OF THE IMPROVEMENTS

The subject is improved with a "C" class three story strip shopping center that is about 24% occupied. The remaining part is in shell condition and need tenant improvements in order to be occupied. The subject has reinforced concrete footings and floor slab, reinforced concrete and concrete blocks walls plastered and painted.

The frame is made of steel columns and beams, and the roof is made of a steel deck. Front walls have commercial glass facade with glass doors. Roof heights range from 9'7" to 13' approximately. Floors are typical 4 inch poured concrete slab reinforced steel. Lights are typical fluorescent ceiling lamps with switches and fixtures throughout the building.

The subject property consists of a strip type shopping center building, comprising a gross building area of approximately 77,771 square feet including approximately 2,210 square feet of covered balcony area. The lower level is a covered parking area with about 81 parking spaces.

The subject also has an open asphalt parking for 104 vehicles, about 83 parking spaces in the upper level and 21 parking spaces in the ramp that connect the upper and the lower level; and circulation, curb and gutters, walks and landscaping.

The subject has an effective age of ten years and is in average conditions.

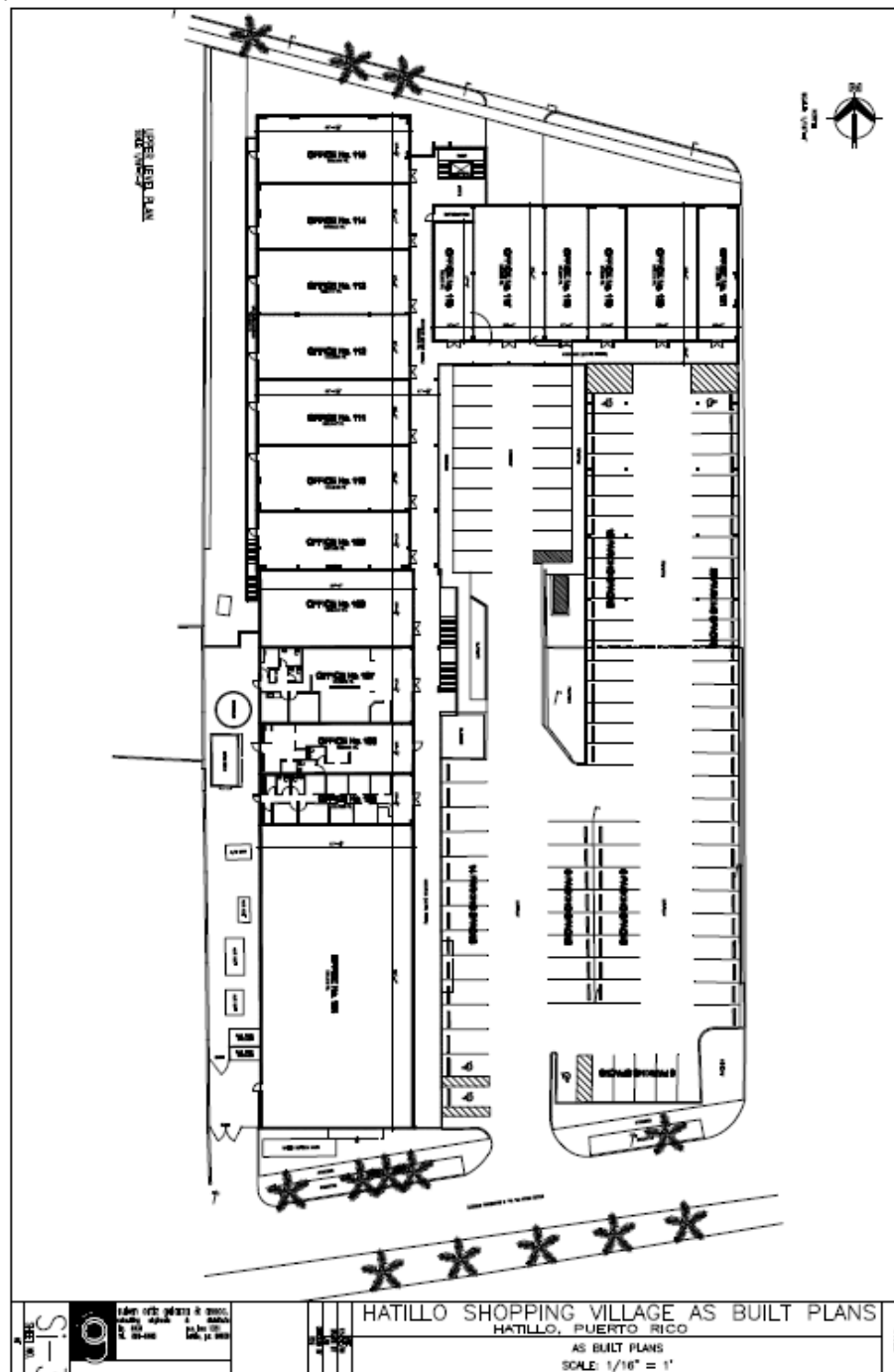
A summary of the areas by level follows:

Level		Square Feet
First/Upper Level		
Finished	13,481	
Unfinished	21,671	
Balcony	2,210	
Sub Total First/Upper Level		37,362
Second/Intermediate Level		16,265
Third/Lower Level (Parking)		24,144
Total Gross Area		77,771

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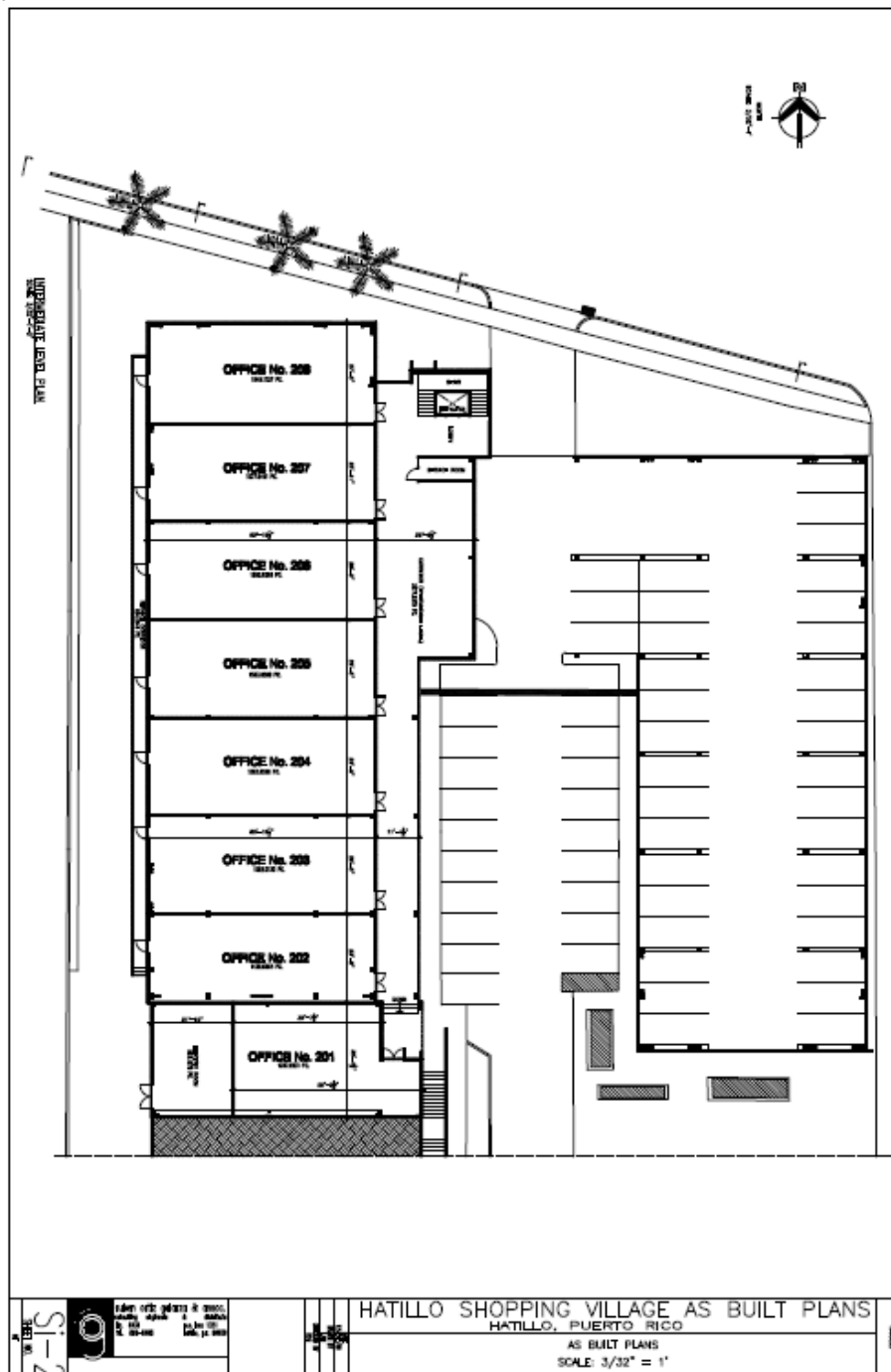
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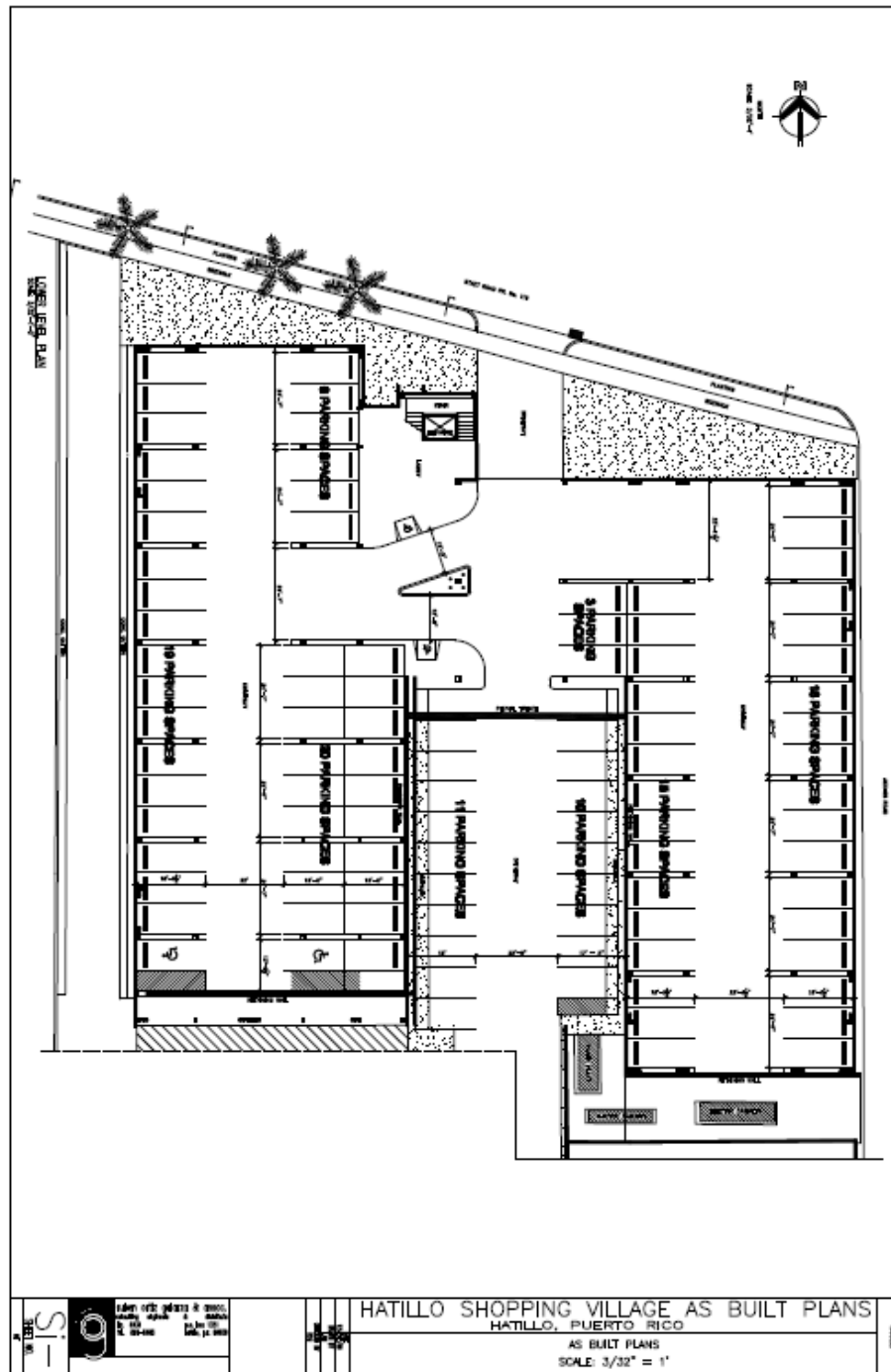
DRAWINGS



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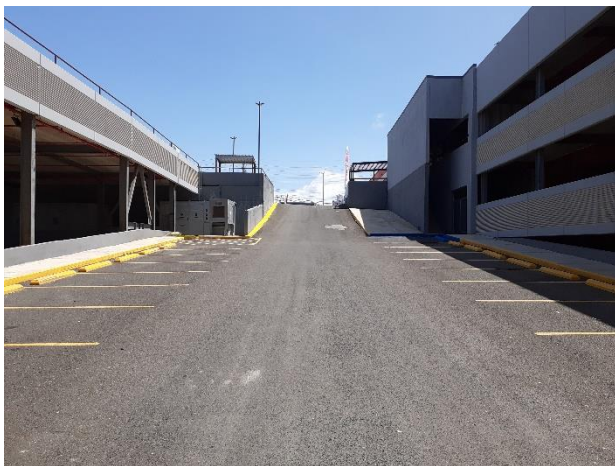
AERIAL PHOTO OF SUBJECT PROPERTY



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PHOTOGRAPHS OF SUBJECT PROPERTY



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PHOTOGRAPHS OF SUBJECT PROPERTY



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HIGHEST AND BEST USE**Definition**

The dictionary of Real Estate Appraisal, fourth edition, published by the Appraisal Institute defines the highest and best use as follows:

Highest and Best Use: The reasonably probable and legal use of vacant land or an improved property, which is physically possible, appropriately supported, financially feasible, and that results in the highest value. The four criteria the highest and best use must meet are legal permissibility, physical possibility, financial feasibility, and maximum productivity.

Highest and Best Use of Land or a Site as though Vacant: Among all reasonable, alternative uses, the use that yields the highest present land value, after payments are made for labor, capital, and coordination. The use of a property based on the assumption that the parcel of land is vacant or can be made vacant by demolishing any improvements.

Highest and best use of property as improved: The use that should be made of a property as it exists. An existing improvement should be renovated or retained as is so long as it continues to contribute to the total market value of the property, or until the return from a new improvement would more than offset the cost of demolishing the existing building and constructing a new one.

Test of Highest and Best Use

In order to be considered as the Highest and Best Use of a property, any potential use must pass as series of tests.

- legally allowable
- physically possible
- financially feasible
- maximally productive

Legally Allowable

Only those uses that are, or may be, legally allowed are potential highest and best uses. This may exclude uses that are not, and unlikely to become, allowed by zoning, uses forbidden by government regulations, and uses prohibited by deed restrictions or covenants.

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Physically Possible

Any potential use must be physically possible given the size, shape, topography, and other characteristics of the site.

Financial Feasibility

The highest and best use of a property must be financially feasible. This means that the proposed use of a property must generate adequate revenue to justify the costs of construction plus a profit for the developer. In the case of an improved property, with obvious remaining economic life, the question of financial feasibility is somewhat irrelevant.

In the case of an improved property with limited remaining economic life, the question of financial feasibility becomes a question of the maximally productive use of the site. If the value of the land As Vacant exceeds the value of the property As Improved, then redevelopment of the site becomes the maximally productive use of the property and continued use of the existing improvements that do not represent the highest net value of the site is considered to be financially unfeasible.

Maximally Productive Use

Finally the use must generate the highest net return (profit) to the developer. A property that could hypothetically be developed with residential, commercial or industrial development might only have one of those uses as its highest and best use.

Analysis

The subject property is building designed as a mall shopping center. The structure was constructed some 14 years ago.

Test (As If Vacant)**Legally Allowable**

The subject has a commercial zoning and permits for a commercial use.

Physically Possible

The subject's shape indicates that a commercial construction is physical possible.

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Financial Feasibility

Based on the neighbors use, and performance we concluded that the commercial use is financially feasible.

Maximally Productive Use

Among all the potential uses, we concluded, based on the comparables found, that the use that will result on the highest value is a commercial development. Therefore, we concluded that the subject's Highest and Best Use as if vacant is a commercial development.

Test (As Improved)

Based on the demand for a commercial retail use in the area indicates it has an adequate demand for its actual commercial use.

Legally Allowable

The subject has zoning and permits for a commercial use.

Physically Possible

The existing improvements make evident that the intended use is physical possible.

Financial Feasibility

The estimated market value under the assumed use is higher than the land value therefore, this use indicates that the structures make a contribution to the land value.

Maximally Productive Use

Therefore, based on the presented analysis, we concluded that the subject's Highest and Best Use is the actual commercial use.

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EXPOSURE TIME

***Definition:** The estimated length of time that the property interest being appraised would have been offered on the market prior to the hypothetical consummation of a sale at market value on the effective date of the appraisal.*

The appraisers analyzed the time that the comparable sales found were on the market at a reasonable asking price, and also consulted active participants of the market, including realtor active on this market. Based on the information gathered, it is the opinion of the appraisers that the exposure time can be estimated in thirty (30) months.

MARKETING TIME

***Definition:** An opinion of the amount of time it might take to sell a real or personal property interest at the concluded market value level during the period immediately after the effective date of an appraisal.*

The appraisers analyzed the time that the comparable sales found were on the market at a reasonable asking price, and also consulted active participants of the market, including realtor active on this market. Based on the information gathered and considering the value estimated for the subject, as well as the forecast for this market; it is the opinion of the appraisers that the marketing time can be estimated in thirty (30) months.

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METHOD OF VALUATION

The three (3) valuation techniques normally used by appraisers to estimate the Market Value of a realty are the Cost, the Sales Comparison (Market), and the Income Capitalization Approaches.

The Cost Approach is that procedure in appraisal analysis, which is based on the proposition that the informed purchaser would pay no more than the cost of producing a substitute property with the same utility as the subject property. It is particularly applicable when the property being appraised involves relatively new improvements which relatively unique or specialized improvements are located on the site where no comparable properties exist on the market.

The Sales Comparison Method is that approach in appraisal analysis based on the proposition that an informed purchaser would pay no more for a property with the same utility. This approach is applicable when an active market provides sufficient quantities of reliable data, which can be verified from authoritative sources.

The Sales Comparison Approach is relatively unreliable in an inactive market or in estimating the value of properties for which no real comparable sales data is available. It is also questionable when sales data cannot be verified with principals to the transaction. This method is also referred as the Market Comparison or Market Data Approach.

The Income Capitalization Approach is that procedure in appraisal analysis, which converts anticipated benefits (dollar income or amenities) to be derived from the ownership of property into a value estimate. The Income Approach is widely applied in appraising income-producing properties. Anticipated future income and/or reversions are discounted to a present worth figure through capitalization processes.

In this assignment the appraisers will develop Income Capitalization and the Sales Comparison Approaches. Due to the market conditions the Cost Approach was discarded.

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INCOME CAPITALIZATION APPROACH**Definition**

A set of procedures through which an appraiser derives a value indication for an income-producing property by converting its anticipated benefits (cash flows and reversion) into property value. This conversion can be accomplished in two ways. One year's income expectancy can be capitalized at a market-derived capitalization rate that reflects a specified income pattern, return on investment, and change in the value of the investment. Alternatively, the annual cash flows for the holding period and the reversion can be discounted at a specified yield rate.

The Income Capitalization Approach is based on the principle of anticipation. This affirms that value is the worth of all present and future benefits arising from ownership and real use of real property. Capitalization of the projected Net Income Stream into an indication of value is the logical treatment for commercial properties, which are bought on the basis of the income producing potential.

The steps involved in translating the Net Operating Income (NOI) projection into a value indication are the following:

1. Estimate potential Gross Income.
2. Estimate and deduct Vacancy and Collection Loss Allowance to derive effective Gross Income.
3. Estimate and deduct expenses of operation to derive Net Operating Income.
4. Select an applicable capitalization method.
5. Derive the value through the development of the Appropriate Rate.

We have two main approaches that can be used in developing the Income Approach. These are a Direct Capitalization and a Discounted Cash Flow. Typically for this type of property, the most used approach was a DCF where the contract and market oriented increment were reflected. However, on the recent market a substantial part of the contract increment are not taking place and even in some cases the tenant required a reduction or stabilization to keep occupying the locale. Furthermore, the Discounting Rate and the Terminal Cap Rate are usually taken from publications, which included other market outside Puerto Rico.

A Direct Capitalization does not require a long-term forecast, and the Overall Capitalization Rate can be extracted from the Puerto Rico market. Therefore, the appraisers concluded that in this case the appraisers will use the direct capitalization method.

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MARKET VALUE ASSUMING THE NEGOTIATED RENTAL CONTRACT**Contract Rents**

The subject contract rents, as per the document provided by the owners follows:

Tenant	Auto Zone Puerto Rico, Inc.
Leased Premises	8,593 square feet
Terms	10 years plus 4, options of 5 years each
Commencement date	Feb. 27, 2009
First ten years	\$103,116.00
First 5 years extension period	\$116,005.50-Actual rent
Second 5 years extension period	\$130,506.19
Third 5 years extension period	\$146,819.46
Fourth 5 years extension period	\$165,171.89
Taxes	By tenant (pro rata share)
Utilities	By tenant
Insurance	By tenant (pro rata share)
Interior Improvements	By tenant
Common Area Maintenance	Pro rata share (19.67%) CAM were estimated at \$3.00 per SF per year. CAM shall not increase more than 5% of the prior year CAM.

Tenant	La Juguería
Leased Premises	1,842 square feet
Terms	2 years
Commencement date	January 31, 2020
Rent Year 1 to 2	\$1,842.00 monthly
Rent Year 3+	3 % increase per year of minimum rent
Taxes	By landlord
Utilities	By tenant
Insurance	By landlord
Interior Improvements	By tenant
Common Area Maintenance	Year 1 \$130.25 monthly Year 2 \$230.25 monthly Year 3 \$537.25 monthly

Tenant	American Management & Administration Corp.
Leased Premises	750 square feet
Terms	2 years
Commencement date	March 11, 2019
Rent Year 1 and 2	\$750.00 monthly
Rent Year 3 and 4	\$875.00 monthly
Taxes	By landlord
Utilities	By tenant
Insurance	By landlord
Interior Improvements	By tenant
Common Area Maintenance	0-2 year \$218.75 / 3-4 year TBD

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Tenant	D'Mart Technical Institute
Leased Premises	20,048 square feet
Terms	5 years plus a five (5) years option
Commencement date	June 18, 2020
Rent Year 1 and 5	\$20,048.00 monthly - prospective rent contingent on approval of government proposal
Rent Year 6 to 10	\$22,959.00
Taxes	By landlord
Utilities	By tenant
Insurance	By tenant
Interior Improvements	By tenant
Common Area Maintenance	Year 1 -5 \$3.00 per square foot

Tenant	D'Mart Technical Institute
Leased Premises	15,337 square feet
Terms	5 years plus a five (5) years option
Commencement date	June 18, 2020
Rent Year 1 and 5	\$15,337.00 monthly - prospective rent contingent on approval of government proposal
Rent Year 6 to 10	\$17,254.12
Taxes	By landlord
Utilities	By tenant
Insurance	By tenant
Interior Improvements	By tenant
Common Area Maintenance	Year 1 -5 \$3.00 per square foot

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Hatillo Shopping Village Rent Roll							
Tenant	Area S.F.	Base Rent	Unit Rent	Start Date	Exp. Date	Increment	Incr. Date
Auto Zone PR Inc.	8,593	\$116,005.50	\$13.50	Feb -09	Feb-24	\$130,506.19	Mar-24
La Juguería	1,842	\$22,104.00	\$12.00	Jan -20	Jan-22	\$22,767.12	Jan-22
American Mgmt. & Adm. Corp.	750	\$9,000.00	\$12.00	Mar-19	Mar-21	\$10,500.00	Mar-21
D' Mart Technical Institute	20,048	\$240,576.00	\$12.00	Mar-21	Jun-25	\$275,508.00	Jun-25
D' Mart Technical Institute	15,337	\$184,044.00	\$12.00	Mar-21	Jun-25	\$207,049.50	Jun-25
Total	46,570	\$571,729.50	-	-	-	-	-

It should be noted that under the contracts with D'Mart Technical Institute the tenant will made improvements estimated at \$2,091,199.04 for the upper level and \$1,668,507.54 for the mid-level as per conceptual proposal drawings prepared by TRG architects.

The next step on our Income Approach Analysis was the search of comparable rents. The result follows.

COMPARABLE RENTS

The appraisers made a search for rents of similar properties with the following results.

	Location	Area (SF)	Tenant	Annual rent	Monthly rent	Rent/SF
1	Km. 14.3, PR-115, Rincon	6,007	USPS	\$63,924.00	\$5,327.00	\$10.64
2	5 Nativo Alers Ave., Aguada	4,888	USPS	\$62,496.00	\$5,208.00	\$12.79
3	PR-115, Rincón	8,000	Famcoop Supermarket	\$72,000.00	\$6,000.00	\$9.00
4	Km. 12.4, PR-115, Rincon	10,873	Dept. de la Familia	\$96,000.00	\$8,000.00	\$8.83
5		7,204	1 to Seven Plus	\$36,000.00	\$3,000.00	\$5.00
6	Trigal Plaza, Manatí	7,200	Social Security	\$139,313.00	\$11,609.42	\$19.35
7	Aguada Town Center	17,000	Grand Stores	\$126,000.00	\$10,500.00	\$7.41
8	Marbella S/C, Aguadilla	5,125	La Familia (casa de empeño)	\$61,500.00	\$5,125.00	\$12.00
9	Marbella S/C, Aguadilla	5,609	Dept. de Salud de PR	\$87,300.00	\$7,275.00	\$15.56

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Estimated Potential Gross Income as per Application of New contracts

Our first analysis was to estimate the potential gross income if the agreed contracts with D' Mart materialized. These contracts, although they have already been negotiated, are contingent on the signing of the contract between D'Mart Technical Institute and the Housing Department of Puerto Rico and monthly rent payments shall begin nine months afterward. They were signed on June 18, 2020; therefore, the landlord has not yet collected any rent on these contracts.

Then, we can estimate the potential gross income for the subject as follows:

Tenant	SF	PGI	Rent/ SF
Auto Zone PR Inc.	8,593	\$116,005.50	\$13.50
La Juguería	1,842	22,104.00	\$12.00
American Mgmt. & Adm. Corp.	750	9,000.00	\$12.00
D' Mart Technical Institute	20,048	240,576.00	\$12.00
D' Mart Technical Institute	15,337	184,044.00	\$12.00
Total	46,570	\$571,729.50	

Expenses Reimbursements

The expenses reimbursements have been estimated as per contracts terms as follows.

Tenant	SF	CAM
Auto Zone PR Inc.	8,593	\$3.00/SF \$25,779.00
La Juguería	1,842	Lump sum 130.25
American Mgmt. & Adm. Corp.	750	Lump Sum 215.75
D' Mart Technical Institute	20,048	\$3.00/SF 60,144.00
D' Mart Technical Institute	15,337	\$3.00/SF 46,011.00
Total	46,570	\$132,280.00

Allowance for Vacancy & Collection Loss

The subject has an actual occupancy of about 24% and apparently has never been fully occupied for several years. However, for purposes of this analysis we have assumed full occupancy based on the contingent contracts with D'Mart Technical Institute.

Considering the subject performance and the market analysis, we estimated the potential vacancy and collection loss in a 15%.

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Leasing Commissions and Tenant Improvements

Locally, none of these expenses are typically considered because leasing is almost always done by the management and included in the management expenses. Regarding the tenant improvements, most locales are delivered in shell condition, and in some exceptional cases a rent consideration is made part of the tenant improvements. Therefore, according to the local industry parameters no allowance for these conditions will be considered.

Taxes

Taxes were estimated at \$19,680.93 based on the CRIM assessed values.

Insurance

The insurance expense was estimated taking a master policy provided by the client which includes various properties and extracting the insurance premium that correspond to the subject property. According to the insurance broker that produce the policy a reasonable estimate is \$8,500.00 based on the particulars of the subject property.

It should be noted that the subject property is occupied in about 24% and the rest of it is in shell condition since it has never been finished for tenant occupancy. Therefore, since we are assuming full occupancy for purposes of this analysis, the insurance expense should be adjusted accordingly.

Then, if we take the estimated insurance premium of \$8,500.00 and multiplied it by four to adjust it for the space in shell condition (about 76%) we get a result of \$34,000.00 or \$.73 per square feet (based on a gross leasable area of 46,570), still within market range for insurance expense for these type of property.

Management Fees

Management fees were estimated at 3% of the effective gross income.

Reserve for replacement

The reserve for replacement was estimated at \$.50 per square foot of gross building area.

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Net Operating Income Statement

Based on the estimated gross income and expenses, we estimated the potential Net Operating Income for the subject property as follows:

NET OPERATING INCOME		
Rental Income		\$571,730.00
Expenses Reimbursements		132,280.00
Potential Gross Income		\$704,010.00
Vacancy & Collection Loss		105,602.00
Effective Gross Income		\$598,408.00
Operating Expenses:		
Taxes	\$19,681.00	
Insurance	34,000.00	
Mgmt. Fees (3% of EGI)	17,952.00	
Reserve for Replacement (\$0.50 / SF)	23,285.00	\$94,918.00
Net Operating Income		\$503,490.00

Direct Capitalization Analysis

As previously indicated the direct capitalization technique states that the value is a function of income, capitalized at an overall capitalization rate ($V = I / R$). We have already estimated the income side of the equation. The next step is to estimate the Overall Capitalization Rate. This will be extracted from several recent sales of Shopping Centers found, and the data provided by our sources. The analysis follows on the next pages.

Comparable Data to Extract Ro

The some of the following are sales of a portfolio. However, each one of the shopping sold was analyzed separately based on the market indications.

Shopping Center	Size/SF	Year	Sales Price	Inferred Ro
Escorial Plaza - Hatillo	29,220	2014	\$ 4,500,000	8.30%
La Fuente Town Center - Toa Alta	34,043	2016	\$ 1,500,000	11.33%
Corozal Shopping - Corozal	42,000	2016	\$ 1,600,000	8.54%
San Sebastián Shopping - San Sebastián	27,118	2016	\$ 1,440,000	11.07%
Rexville Plaza - Bayamón	131,121	2017	\$24,500,000	9.25%
Camino Real - San Germán	49,172	2017	\$ 4,000,000	11.47%
Plaza Del Oeste - San Germán	184,658	2017	\$28,750,000	9.50%
From to				11.47% to 8.30%
Average				9.92%

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Publications Indicated Ro

The appraisers used the numbers on the publication of the Second Quarter of 2018 by Realty Rates Investor Survey for anchored centers.

RealtyRates.com INVESTOR SURVEY - 3rd Quarter 2020*						
RETAIL - UN-ANCHORED CENTERS						
Item	Input					OAR
Minimum						
Spread Over 10-Year Treasury	1.60%	DCR Technique	1.30	0.041434	0.65	3.50
Debt Coverage Ratio	1.30	Band of Investment Technique				
Interest Rate	2.27%	Mortgage	65%	0.041434	0.026932	
Amortization	35	Equity	35%	0.080482	0.028169	
Mortgage Constant	0.041434	OAR				5.51
Loan-to-Value Ratio	65%	Surveyed Rates				5.23
Equity Dividend Rate	8.05%					
Maximum						
Spread Over 10-Year Treasury	6.95%	DCR Technique	2.15	0.112061	0.50	12.05
Debt Coverage Ratio	2.15	Band of Investment Technique				
Interest Rate	7.62%	Mortgage	50%	0.112061	0.056031	
Amortization	15	Equity	50%	0.177944	0.088972	
Mortgage Constant	0.112061	OAR				14.50
Loan-to-Value Ratio	50%	Survey				13.78
Equity Dividend Rate	17.79%					
Average						
Spread Over 10-Year Treasury	4.28%	DCR Technique	1.73	0.069767	0.58	6.92
Debt Coverage Ratio	1.73	Band of Investment Technique				
Interest Rate	4.95%	Mortgage	58%	0.069767	0.040116	
Amortization	25	Equity	43%	0.124340	0.052845	
Mortgage Constant	0.069767	OAR				9.30
Loan-to-Value Ratio	58%	Surveyed Rates				9.99
Equity Dividend Rate	12.43%					
*2nd Quarter 2020 Data						
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The presented Average is 9.99%.

Band of Investment Indicated Ro

Also, we developed a Band of Investment as follows:

In addition, we considered the alternate investment and the following Band of Investment assuming a 70% financing at 7.50% for 20 years and considering the subject location and conditions, we estimated that the return on investment requirement of 15%, and a holding period of 10 years.

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The overall rate is developed through a Band of Investment Technique in Simple Mortgage Equity Analysis. It is a weighted average of the mortgage constant and the equity dividend rate, represented by the mortgage and equity investment positions.

Where:

M	=	Mortgage Investment Position
1-M	=	Equity Investment Position
Rm	=	Mortgage Constant at Mortgage Interest at Mortgage Maturity or Debt Service Requirements
Re	=	Equity Dividend Rate or Equity Requirements
Ro	=	Overall Rate

The formula is:

$$R_o = M \times R_m + [(1-M) \times R_e]$$

Overall Rate with Equity Build-Up

A weighted-average overall rate developed by the Band of Investment Technique suffers from the critical limitation that, in ignoring equity built-up through mortgage amortization, it tends to overstate forecast capital loss. This is corrected by including a credit for equity build-up.

Since the Income Projection Period (Investment Holding Period) for most income properties is less than the Mortgage Maturity, it is necessary to make further adjustment in the Overall Rate calculation to compensate for this fact.

The adjustment consists of weighing the "credit for equity build-up by the percentage of mortgage loan paid off at the end of the income projection period. That is because, equity build-up occurs only to the extent that mortgage amortization occurs.

Therefore:

$$(M \times R_m) + (1 - M \times R_e) - M \times P \times SFF = R_o$$

Where P = 1-Mb and the Sinking Fund Factor (SFF) is calculated at Equity Divided Rate for the holding period.

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The Market Conditions were estimated as follows:

Loan to Value	70%
Mortgage Terms	Twenty (20) Years
Mortgage Interest Rate	7.50%
Mortgage Constant	0.09667
Holding period	10 Years

Then, the complete formula is:

$$(M \times R_m) + (1 - M \times R_e) - M \times P \times SFF = R_o$$

With the prior conditions, we estimated the overall rate as follows:

$$\begin{array}{rcl} .70 \times 0.096672 & = & 0.06767 \\ .30 \times 0.12000 & = & \underline{0.03600} \\ & & 0.10367 \end{array}$$

Equity Build-Up with Holding Period Adjustment

$$\begin{array}{l} M = .70 \\ P = 0.32201 \\ SFF = 0.05698 \\ 0.70 \times 0.32201 \times 0.05698 = 0.01284 \end{array}$$

Then:

	0.10367
Less - Equity Built-Up	<u>0.01284</u>
Estimated Overall Capitalization	
Rate	0.09087, say 9.1%

Final Overall Cap Rate Estimate

The three presented indications at 9.92%, 9.99% for the publication and 9.1%. However due to the subject large amount of time without being occupied we decided to add two points for final overall capitalization rate of a 12%.

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Capitalization Procedure

Based on the basic value formula where:

$$\text{NOI/R} = \text{Value}$$

We used the previously presented numbers and ratios as follows:

Where NOI is \$ 503,490.00

And Ro is 12%

Then:

$$\frac{\$503,490.00}{0.12} = \$4,195,750.00$$

Rounded to \$4,200,000.00

Final Value Estimate by the Income Approach

Then, we estimated the prospective market value indicated by the direct capitalization procedure in \$4,200,000.00. However, the subject property has not been completely finished for tenant occupancy. The owner provided a conceptual probable construction cost estimate of \$572,487.0 for the exterior and common areas prepared by TRG Architects.

Therefore, if we take \$4,200,000.00 less the cost estimate of \$570,000.00 rounded, we get \$3,630,000.00 rounded to \$3,600,000.00 the prospective market value in "Leased Fee".

MARKET VALUE ASSUMING MARKET RENTS**Estimated Potential Gross Income as per Market Rents – (Market Value AS-IS)**

The new contracts were found to be over market indications. Therefore, we made an additional analysis in which we used market rents instead of the negotiated rents.

Then, we can estimate the potential gross income for the subject as follows:

Tenant	SF	PGI	Rent/ SF
Auto Zone PR Inc.	8,593	\$116,005.50	\$13.50
La Juguería	1,842	22,104.00	\$12.00
American Mgmt. & Adm. Corp.	750	9,000.00	\$12.00
D' Mart Technical Institute	20,048	160,384.00	\$8.00
D' Mart Technical Institute	15,337	122,696.00	\$8.00
Total	46,570	\$430,189.50	

**Where it says D'Mart refers to these locales intended to be occupied by D'Mart*

Expenses Reimbursements

The expenses reimbursements have been estimated as per contracts terms as follows.

Tenant	SF	CAM
Auto Zone PR Inc.	8,593	\$3.00/SF \$25,779.00
La Juguería	1,842	Lump sum 130.25
American Mgmt. & Adm. Corp.	750	Lump Sum 215.75
D' Mart Technical Institute	20,048	\$3.00/SF 60,144.00
D' Mart Technical Institute	15,337	\$3.00/SF 46,011.00
Total	46,570	\$132,280.00

Allowance for Vacancy & Collection Loss

Considering the subject performance and the market analysis, we estimated the potential vacancy and collection loss in a 15%.

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Leasing Commissions and Tenant Improvements

Locally, none of these expenses are typically considered because leasing is almost always done by the management and included in the management expenses. Regarding the tenant improvements, most locales are delivered in shell condition, and in some exceptional cases a rent consideration is made part of the tenant improvements. Therefore, according to the local industry parameters no allowance for these conditions will be considered.

Taxes

Taxes were estimated at \$19,680.93 based on the CRIM assessed values.

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It should be noted that the subject property is occupied in about 24% and the rest of it is in shell condition since it has never been finished for tenant occupancy. Therefore, since we are assuming full occupancy for purposes of this analysis, the insurance expense should be adjusted accordingly.

Then, if we take the estimated insurance premium of \$8,500.00 and multiplied it by four to adjust it for the space in shell condition (about 76%) we get a result of \$34,000.00 or \$.73 per square feet (based on a gross leasable area of 46,570), still within market range for insurance expense for these type of property.

Management Fees

Management fees were estimated at 3% of the effective gross income.

Reserve for replacement

The reserve for replacement was estimated at \$.50 per square foot of gross building area.

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Net Operating Income Statement

Based on the estimated gross income and expenses, we estimated the potential Net Operating Income for the subject property as follows:

NET OPERATING INCOME		
Rental Income		\$430,190.00
Expenses Reimbursements		\$132,280.00
Potential Gross Income		\$562,470.00
Vacancy & Collection Loss		84,371.00
Effective Gross Income		\$478,099.00
Operating Expenses:		
Taxes	\$19,681.00	
Insurance	34,000.00	
Mgmt. Fees (3% of EGI)	14,343.00	
Reserve for Replacement (\$0.50 / SF)	23,285.00	\$91,309.00
Net Operating Income		\$386,790.00

Direct Capitalization Analysis

As previously indicated the direct capitalization technique states that the value is a function of income, capitalized at an overall capitalization rate ($V = I / R$). We have already estimated the income side of the equation. The next step is to estimate the Overall Capitalization Rate. This will be extracted from several recent sales of Shopping Centers found, and the data provided by our sources. The analysis follows on the next pages.

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San Sebastián Shopping - San Sebastián	27,118	2016	\$ 1,440,000	11.07%
Rexville Plaza - Bayamón	131,121	2017	\$24,500,000	9.25%
Camino Real - San Germán	49,172	2017	\$ 4,000,000	11.47%
Plaza Del Oeste - San Germán	184,658	2017	\$28,750,000	9.50%
From to				11.47% to 8.30%
Average				9.92%

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Publications Indicated Ro

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Debt Coverage Ratio	1.30	Band of Investment Technique				
Interest Rate	2.27%	Mortgage	65%	0.041434	0.026932	
Amortization	35	Equity	35%	0.080482	0.028169	
Mortgage Constant	0.041434	OAR				5.51
Loan-to-Value Ratio	65%	Surveyed Rates				5.23
Equity Dividend Rate	8.05%					
Maximum						
Spread Over 10-Year Treasury	6.95%	DCR Technique	2.15	0.112061	0.50	12.05
Debt Coverage Ratio	2.15	Band of Investment Technique				
Interest Rate	7.62%	Mortgage	50%	0.112061	0.056031	
Amortization	15	Equity	50%	0.177944	0.088972	
Mortgage Constant	0.112061	OAR				14.50
Loan-to-Value Ratio	50%	Survey				13.78
Equity Dividend Rate	17.79%					
Average						
Spread Over 10-Year Treasury	4.28%	DCR Technique	1.73	0.069767	0.58	6.92
Debt Coverage Ratio	1.73	Band of Investment Technique				
Interest Rate	4.95%	Mortgage	58%	0.069767	0.040116	
Amortization	25	Equity	43%	0.124340	0.052845	
Mortgage Constant	0.069767	OAR				9.30
Loan-to-Value Ratio	58%	Surveyed Rates				9.99
Equity Dividend Rate	12.43%					
*2nd Quarter 2020 Data			Copyright 2020 RealtyRates.com™			

The presented Average is 9.99%.

Band of Investment Indicated Ro

Also, we developed a Band of Investment as follows:

In addition, we considered the alternate investment and the following Band of Investment assuming a 70% financing at 7.50% for 20 years and considering the subject location and conditions, we estimated that the return on investment requirement of 15%, and a holding period of 10 years.

The overall rate is developed through a Band of Investment Technique in Simple Mortgage Equity Analysis. It is a weighted average of the mortgage constant and the equity dividend rate, represented by the mortgage and equity investment positions.

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Where: M = Mortgage Investment Position
 1-M = Equity Investment Position
 Rm = Mortgage Constant at Mortgage Interest at Mortgage Maturity or Debt Service Requirements
 Re = Equity Dividend Rate or Equity Requirements
 Ro = Overall Rate

The formula is:

$$Ro = M \times Rm + [(1-M) \times Re]$$

Overall Rate with Equity Build-Up

A weighted-average overall rate developed by the Band of Investment Technique suffers from the critical limitation that, in ignoring equity built-up through mortgage amortization, it tends to overstate forecast capital loss. This is corrected by including a credit for equity build-up.

Since the Income Projection Period (Investment Holding Period) for most income properties is less than the Mortgage Maturity, it is necessary to make further adjustment in the Overall Rate calculation to compensate for this fact. The adjustment consists of weighing the "credit for equity build-up by the percentage of mortgage loan paid off at the end of the income projection period. That is because, equity build-up occurs only to the extended that mortgage amortization occurs.

Therefore:

$$(M \times Rm) + (1 - M \times Re) - M \times P \times SFF = Ro$$

Where P = 1-Mb and the Sinking Fund Factor (SFF) is calculated at Equity Divided Rate for the holding period.

The Market Conditions were estimated as follows:

Loan to Value	70%
Mortgage Terms	Twenty (20) Years
Mortgage Interest Rate	7.50%
Mortgage Constant	0.09667
Holding period	10 Years

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Then, the complete formula is:

$$(M \times R_m) + (1 - M \times R_e) - M \times P \times SFF = R_o$$

With the prior conditions, we estimated the overall rate as follows:

$$\begin{array}{rcl} .70 \times 0.096672 & = & 0.06767 \\ .30 \times 0.12000 & = & \underline{0.03600} \\ & & 0.10367 \end{array}$$

Equity Build-Up with Holding Period Adjustment

$$\begin{array}{l} M = .70 \\ P = 0.32201 \\ SFF = 0.05698 \\ 0.70 \times 0.32201 \times 0.05698 = 0.01284 \end{array}$$

Then:

$$\begin{array}{rcl} & & 0.10367 \\ \text{Less - Equity Built-Up} & & \underline{0.01284} \\ \text{Estimated Overall Capitalization} & & \\ \text{Rate} & & 0.09087, \text{ say } 9.1\% \end{array}$$

Final Overall Cap Rate Estimate

The three presented indications at 9.92%, 9.99% for the publication and 9.1%. However due to the subject large amount of time without being occupied we decided to add two points for final overall capitalization rate of a 12%.

Capitalization Procedure

Based on the basic value formula where:

$$NOI/R = \text{Value}$$

We used the previously presented numbers and ratios as follows:

Where NOI is \$386,790.00

And Ro is 12%

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Then:

<u>\$386,790.00</u>	\$3,223,250.00
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0.12

Rounded to	\$3,220,000.00
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Final Value Estimate by the Income Approach

Then, we estimated the prospective market value indicated by the direct capitalization procedure in \$3,220,000.00. However, the subject property has not been completely finished for tenant occupancy. The owner provided a conceptual probable construction cost estimate of \$572,487.25 for the exterior and common areas prepared by TRG Architects.

Therefore, if we take \$3,220,000.00 less the cost estimate of \$570,000.00 rounded, we get \$2,650,000.00, but we must subtract the time that it will take for the subject to arrive to the estimated stabilized occupancy. This rent short fall was estimated in on year for the new occupants. This was estimated in a rent short fall of \$389,235.00. If we subtract the estimated rent short fall, we have an indicated value of \$2,260.765.00 rounded to \$2,260,000.00 in leased fee.

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THE SALES COMPARISON APPROACH

The Sales Comparison Approach has as its main premise the comparison of the property being appraised with others of comparable location, design, utility and use that have been sold in the recent past. Adjustments are made to the comparable properties to compensate for significant differences with the subject so that each comparable provides an indication of value for the subject.

A major premise of the Sales Comparison Approach is that the Market Value of a property is directly related to the prices of comparable, competitive properties. The appraisal principle of substitution plays an important role in this approach to value. Other principles, such as change, supply and demand, balance and externalities are also considered and are basic to the Sales Comparison Approach.

In this case in particular, this approach has been developed in order to establish the market value in is As-is condition since the subject property only has about 24% occupancy rate and the remaining 76% of the property is in a shell condition that requires tenant improvements and about \$572,487.25 in exterior and common areas of improvements by the owner as per a conceptual probable construction cost estimate prepared by TRG Architects provided by the owner.

The appraisers made a search in the subject's and nearby areas, with the results that follows in the next pages.

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Comparable Sale #1

Name	:	El Cafetal Shopping Center
Location	:	SR #368, Km. 11.8, Susua Baja Ward, Yauco, P.R.
Tax Number	:	361-081-283-19
Seller	:	Antonio A. Perez Rodríguez, et. al
Purchaser	:	Edwin Ruiz Ruiz, et. al.
Date of Sale	:	May 22, 2019
Sales Price	:	\$700,000
Site Area-S/M	:	7,040.53
Building Description	:	Shopping center in average condition comprising 14,172 square feet of gross leasable area and a parking ratio of 6.8 per 1,000 square feet. Sold at full occupancy. Bought by one of its tenants.
Unit Price per SF	:	\$49.40
Financing Terms	:	Market terms
Zoning	:	Commercial, R-A
Flood Conditions	:	X zone
Legal Data	:	Deed 11, before Orlando Gonzalez, Esq.
Registry Data	:	Tract 7,773
Comments	:	Information provided by fellow appraiser and Property Register.



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Comparable Sale #2

Name	:	Plaza Victoria
Location	:	SR #119, Km. 5.7, Puente Ward, Camuy, P.R.
Tax Number	:	010-084-645-32
Seller	:	NJP Investment Inc.
Purchaser	:	Saul Ramos Padilla, et. al.
Date of Sale	:	March 29, 2019
Sales Price	:	\$400,000
Site Area-S/M	:	3,112.7709
Building Description	:	Suburban strip shopping center in average conditions comprising 5,765 square feet of leasable area and a 5.2 per 1,000 square feet of parking ratio. It has six locals that range from 132 to 3,680 sq. ft. It also has a vacant site area at its rear which could accommodate additional parking or further expansion.
Unit Price per SF	:	\$69.40
Financing Terms	:	Market terms
Zoning	:	Residential and Commercial, R-I (99%) and C-I (1%)
Flood Conditions	:	X zone
Legal Data	:	Deed 7, before Lourdes Curbelo, Esq.
Registry Data	:	Tract 9,780
Comments	:	Information provided by fellow appraiser and Property Register.



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Comparable Sale #3

Name	:	San Sebastián Shopping Center
Location	:	SR #111, Km. 15.9, Guatemala Ward, San Sebastián, Puerto Rico.
Tax Number	:	099-067-505-09
Seller	:	LSREF2 Island Holding Centro Escorial, LLC
Purchaser	:	LS Real Estate Corp.
Date of Sale	:	October 3, 2016
Sales Price	:	\$1,440,000.00
Site Area-S/M	:	7,793.52/SM
Building Description	:	A 27,118/SF, strip type shopping center in average conditions, with semi basement area and a parking ratio of 4.7 stalls per 1,000 square feet.
Unit Price per SF	:	\$53.00
Financing Terms	:	Market Terms
Zoning	:	R-0
Flood Conditions	:	X-Zone
Legal Data	:	Deed 432, before Héctor Lebrón, Esq.
Registry Data	:	Tract 21845
Comments	:	Information obtained from fellow appraisers and PuertoricoE.



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Comparable Sale #4

Name	:	La Fuente Town Center
Location	:	Main Avenue Las Fuentes, Mucarabones Ward, Toa Alta, Puerto Rico.
Tax No.	:	084-023-384-85
Seller	:	Grupo AN, Inc.
Purchaser	:	Three Brothers, Inc.
Date of Option Contract	:	May 2016
Sales Price	:	\$1,500,000.00
Site Area-S/M	:	17,575.50
Building Description	:	Strip type center comprising 34,046 square feet in fair conditions, with 230 stalls for 6.79 per 1,000 square feet.
Unit Price per SF	:	\$44.00
Financing Terms	:	Market Terms
Zoning	:	C-1
Flood Conditions	:	X zone
Legal Data	:	N/A
Registry Data	:	N/A
Comments	:	The subject had an occupancy rate of 76%.



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The comparable sales and the subject will be positioned on a tabular form for a better understanding.

Sale	Shopping Center	Date	Sales Price	Parking Ratio	Area Sq. Ft.	Unit Price
1	El Cafetal	5-19	\$700,000	6.8:1,000	14,172	\$49.40
2	Plaza Victoria	3-19	\$400,000	5.2:1,000	5,765	\$69.40
3	San Sebastian	10-16	\$1,440,000	4.7:1,000	27,118	\$53.00
4	La Fuente	5-16	\$1,500,000	6.79:1,000	34,046	\$ 44.00
Subject	Hatillo Shopping Village	9-20	N/A	3.97:1,000	46,570	N/A

The commercial market has been affected by the poor economic conditions, with a limited number of arm length transactions taken place recently. All transactions are over one year old. However, current market conditions do not support a market condition adjustment.

The four comparable sales presented will be analyzed versus the subject and the following four categories which were found to have more weight on its value. These are location, which is always of paramount importance in real estate, especially on commercial uses. The second is size, considering that usually larger properties have smaller unit values due to the highest total price which limits the number of potential purchasers with the economic capacity to enter the venture.

Next, we will analyze the conditions, including the type of property, and its age. The last of the conditions being weighted is the parking ratio, considering that limited parking facilities has a direct effect on its functionality, hence its value.

Comparable Sale #1: \$49.00	
Item	Comments
Location	Inferior, being located in Yauco in an area with less commercial traffic.
Size	Superior in size, being smaller than the subject
Condition	Similar average conditions
Parking	Superior, with a ratio of 6.8 versus the subject 3.973.
Summary	Due to the superior size and parking ratio although inferior in location, sale #1 was considered a good value indicator.

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Comparable Sale #2: \$69.00

Item	Comments
Location	Inferior, being located in Camuy in an area with less commercial traffic.
Size	Superior in size, being smaller than the subject
Condition	Similar average conditions
Parking	Superior, with a ratio of 5.2 versus the subject 3.97.
Summary	Due to the superior size and parking ratio although inferior in location, sale #2 was considered an upper limit value indicator.

Comparable Sale #3: \$53.00

Item	Comments
Location	Inferior, being located in San Sebastian in an area with less commercial traffic exposure.
Size	Superior in size, being smaller than the subject
Condition	Similar average conditions
Parking	Superior, with a ratio of 4.7 versus the subject 3.97.
Summary	Due to the superior size and parking ratio although inferior in location, sale #3 was considered an upper value indicator.

Comparable Sale #4: \$44.00

Item	Comments
Location	Inferior, being located on the interior of a residential development.
Size	Superior in size, being smaller than the subject
Condition	Inferior, being in fair conditions.
Parking	Superior, with a ratio of 6.79 versus the subject 3.97.
Summary	Due to the superior size and parking ratio; and its inferior location and condition; sale #4 was considered a lower value indicator.

Not having adequate market data on which to base a quantitative analysis, we had to rely on a quantitative approach. Therefore, we prepared a positioning analysis as follows, where the subject and the sales are positioned in accordance with their differences.

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Positioning Grid			
Sale	Unit Price	Position	Comments
#2	\$69.00	Upper limit of value indicator	Due to the superior size and parking ratio although inferior in location, sale #2 was considered an upper limit value indicator.
#3	\$53.00	Upper value indicator	Due to the superior size and parking ratio although inferior in location, sale #3 was considered an upper value indicator.
Subject	-0-	-0-	-0-
#1	\$49.00	Good value indicator	Due to the superior size and parking ratio although inferior in location, sale #1 was considered a good value indicator.
#4	\$44.00	Lower Value indicator	Due to the superior size and parking ratio; and its inferior location and condition; sale #4 was considered a lower value indicator.

Final Value Estimate by the Sales Comparison Approach

The four comparable presented shows a range of values from \$44.00/SF to \$69.00/SF. The mean of this range is \$54.00/SF and the median is \$51.00/SF. The subject was positioned under Sale #3 indication of \$53.00/SF and over Sale #4 indication of \$44/SF but closer to Sale #1 indication of \$49.00/ SF. Therefore, considering this, we concluded with a unit value indicator for the subject at \$50.00/SF, for a final value indication by the Sales Comparison Approach of:

$$46,570/\text{SF} \times \$50.00/\text{SF} = \$2,328,500.00$$

Now if we deduct the \$572,000.00 of exterior and common areas improvements by the owner as per a conceptual probable construction cost estimate prepared by TRG Architects mentioned at the beginning of this approach, we got a result of:

$$\$2,328,500.00 - \$572,000.00 = \$1,756,500.00$$

$$\text{Rounded to} \quad \$1,760,000.00$$

Then, we estimated the "As Is" market value indicated by the Sales Comparison Approach in \$1,760,000.00.

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REPLACEMENT COST NEW

As part of our assignment, we were requested to estimate the reproduction cost new of subject property "As Is". Using Marshall and Swift Valuation Services, we concluded with the following:

Improvement's Replacement Cost New	\$4,140,000.00*
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* (According to Marshall and Swift)

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**MARSHALL VALUATION SERVICE
CALCULATOR COST FORM
Square Foot Costs**

1.	Subscriber making survey	:	Guido Picón & Associates	
	Date of Survey	:	September 2020	
2.	Name of Building	:	Hatillo Shopping Village	
	Owner	:	Pier Property Management, Inc.	
3.	Located at	:	S.R. #2 Km. 86.7 & S.R. #119, Hatillo, P. R.	
4.	Occupancy	:	Neighborhood	
5.	Building class and quality	:	Cls. <u>C</u>	
		:	Qual. <u>Avg.</u>	
6.	Exterior Wall	:	Concrete	
7.	No. of stories & height per story	:	No. 3	
		:	Ht. <u>13</u> Ft.	
8.	Average floor area	:	13,481 Sq. Ft. (First floor finished area)	
9.	Average perimeter	:	564 Ft.	
10.	Age and condition	:	Age <u>20</u>	
		:	Cond. <u>Average</u>	
11.	Region	:	Eastern	
12.	Climate	:	Mild	
13.	Base Sq. Ft. Cost	:	\$102.00	Section 13, Page 34, Comm. Shop. Ctr. (413)
	SQUARE FOOT REFINEMENTS			
14.	Heating, cooling, ventilation	:	----	
15.	Elevator deduction	:	----	
16.	Miscellaneous	:	----	
17.	Total lines 13 through 16	:	<u>\$102.00</u>	
	HEIGHT AND SIZE REFINEMENTS			
18.	Number of stories-multiplier	:	1.00	
19.	Height per story-multiplier (see line 7)	:	1.021	
20.	Floor area-perimeter multiplier (see lines 8 & 9)	:	<u>0.933</u>	
21.	Combined height and size multiplier (L18 x 19 x 20)	:	<u>0.953</u>	
	FINAL CALCULATIONS			
22.	Refined SF cost (17 x 21)	:	\$97.21	
23.	Current cost multiplier	:	1.04	
24.	Local multiplier	:	0.90	
25.	Final Sq. Ft. cost (Line 22 x Line 23 x Line 24)	:	<u>\$90.91</u>	
26.	Area	:	13,481 s/f	
27.	Line 25 x Line 26	:	\$1,225,558	
28.	Lump sums (Line 34)*	:	\$ 256,328	Outside Parking & Other*
29.	Replacement Cost	:	\$1,481,886	
30.	Replacement Cost	:	\$1,480,000 RD	

Other Improvements

Paved area, curb & gutters, walks, illumination for 104 cars at \$1,450.00	\$ 150,800.00
Canopies 2,210 sq. ft. x \$47.75	<u>\$ 105,527.50</u>
Total	\$ 256,327.50

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**MARSHALL VALUATION SERVICE
CALCULATOR COST FORM
Square Foot Costs**

1.	Subscriber making survey	:	Guido Picón & Associates
	Date of Survey	:	September 2020
2.	Name of Building	:	Hatillo Shopping Village
	Owner	:	Pier Property Management, Inc.
3.	Located at	:	S.R. #2 Km. 86.7 & S.R. #119, Hatillo, P. R.
4.	Occupancy	:	Neighborhood
5.	Building class and quality	:	Cls. <u>C</u> Qual. <u>Avg.</u>
6.	Exterior Wall	:	Concrete
7.	No. of stories & height per story	:	No. 3 Ht. <u>12 - 13</u> Ft.
8.	Average floor area	:	12,645 Sq. Ft. (1 fl. unf. 21,671 SF, 2 fl. unf. 14,081.4 SF and 2,183.8 SF)
9.	Average perimeter	:	505 Ft.
10.	Age and condition	:	Age <u>10</u> Cond. <u>Average</u>
11.	Region	:	Eastern
12.	Climate	:	Mild
13.	Base Sq. Ft. Cost	:	\$52.00 Section 13, Page 37, Comm. Shop. Ctr. Shell Buildings (461)
	SQUARE FOOT REFINEMENTS		
14.	Heating, cooling, ventilation	:	----
15.	Elevator deduction	:	----
16.	Miscellaneous	:	----
17.	Total lines 13 through 16	:	<u>\$52.00</u>
	HEIGHT AND SIZE REFINEMENTS		
18.	Number of stories-multiplier	:	1.00
19.	Height per story-multiplier (see line 7)	:	1.021
20.	Floor area-perimeter multiplier (see lines 8 & 9)	:	<u>0.924</u>
21.	Combined height and size multiplier (L18 x 19 x 20)	:	<u>0.943</u>
	FINAL CALCULATIONS		
22.	Refined SF cost (17 x 21)	:	\$49.04
23.	Current cost multiplier	:	1.04
24.	Local multiplier	:	0.90
25.	Final Sq. Ft. cost (Line 22 x Line 23 x Line 24)	:	<u>\$45.90</u>
26.	Area	:	37,936 s/f
27.	Line 25 x Line 26	:	\$1,741,262
28.	Lump sums (Line 34)	:	----
29.	Replacement Cost	:	\$1,741,262
30.	Replacement Cost	:	\$1,740,000 RD

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**MARSHALL VALUATION SERVICE
CALCULATOR COST FORM
Square Foot Costs**

1.	Subscriber making survey	:	Guido Picón & Associates
	Date of Survey	:	September 2020
2.	Name of Building	:	Hatillo Shopping Village
	Owner	:	Pier Property Management, Inc.
3.	Located at	:	S.R. #2 Km. 86.7 & S.R. #119, Hatillo, P. R.
4.	Occupancy	:	Neighborhood
5.	Building class and quality	:	Cls. <u>B</u> Qual. <u>Low cost</u>
6.	Exterior Wall	:	Concrete
7.	No. of stories & height per story	:	No. 3 Ht. <u>9'7"</u> Ft.
8.	Average floor area	:	24,144 Sq. Ft. (Third floor finished area)
9.	Average perimeter	:	967 Ft.
10.	Age and condition	:	Age <u>10</u> Cond. <u>Average</u>
11.	Region	:	Eastern
12.	Climate	:	Mild
13.	Base Sq. Ft. Cost	:	\$43.75 Section 14, Page 34, Parking (Parkade) Structures (345)
	SQUARE FOOT REFINEMENTS		
14.	Heating, cooling, ventilation	:	----
15.	Elevator deduction	:	----
16.	Miscellaneous	:	----
17.	Total lines 13 through 16	:	<u>\$43.75</u>
	HEIGHT AND SIZE REFINEMENTS		
18.	Number of stories-multiplier	:	1.00
19.	Height per story-multiplier (see line 7)	:	.921
20.	Floor area-perimeter multiplier (see lines 8 & 9)	:	<u>0.997</u>
21.	Combined height and size multiplier (L18 x 19 x 20)	:	<u>0.918</u>
	FINAL CALCULATIONS		
22.	Refined SF cost (17 x 21)	:	\$40.16
23.	Current cost multiplier	:	1.04
24.	Local multiplier	:	0.91
25.	Final Sq. Ft. cost (Line 22 x Line 23 x Line 24)	:	<u>\$38.01</u>
26.	Area	:	24,144 s/f
27.	Line 25 x Line 26	:	\$917,713
28.	Lump sums (Line 34)	:	----
29.	Replacement Cost	:	\$924,412
30.	Replacement Cost	:	\$920,000 RD

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CORRELATION AND FINAL VALUE ESTIMATE

In this assignment the appraisers were faced with the valuation of a small shopping center located at kilometer 86.7 of State Road #2 and State Road #119, Pueblo Ward, on the Municipality of Hatillo, Puerto Rico.

As previously indicated, we developed two basic scenarios. Scenario One is the Market value assuming that the contract with D'Mart Technical Institute is adequately secured and being collected as presented by the owners. The Scenario Two is the market value for the subject as is, without the aforementioned contract.

Scenario One:

Sales Comparison Approach: Not Developed

Income Approach: \$3,600,000.00

Cost Approach: Not Developed

For this scenario we estimated the market value in \$3,600,000.00

Scenario Two:

Sales Comparison Approach: \$1,760,000.00

Income Approach: \$2,260,000.00

Cost Approach: Not Developed

For this scenario we gave equal weight to both analyses, therefore we estimated the market value in \$2,000,000.00

After a personal inspection and thorough study of the market and all factors affecting values on the subject area, it is our opinion that the market value and the liquidation value of the subject, in Leased Fee was:

Market Value for Scenario One (Assuming D'Mart Technical Institute contract as planned)**Three Million Six Hundred Thousand Dollars****\$3,600,000.00****Market Value for Scenario Two- (Using rents at market levels)****Two Million Dollars****\$2,000,000.00**

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This report was prepared for the sole use of our client, Banco Popular de Puerto Rico and its auditors, to be used on their analysis, for a mortgage loan to the property owners. It must not be used for any other use or rely upon by any third party for no reason whatsoever, without the express written consent of the appraisers.

The intended users of this report are not inferred to include, directly or indirectly, either the property owners or borrowers. The appraisers are not responsible for any unauthorized use of this report.

This report and its value conclusions are based on the extraordinary assumption that all the information provided by the Bank and by the owner, including but not limited to the size of the structures, the lot size, the rental contracts and summaries provided, the operating cost and the preliminary financial statements are true and correct. If any of these conditions are not met this report and its value conclusions must be revised.

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CERTIFICATION OF THE APPRAISER

I certify that, to the best of my knowledge and belief:

- ___ The statements of fact contained in this report are true and correct.
- ___ The reported analyses, opinions, and conclusions are limited only by the reported Assumptions and Limiting Conditions, and are my personal, impartial, and unbiased professional analyses, opinions and conclusions.
- ___ I have no present or prospective interest in the property that is the subject of this report, and no personal interest with respect to the parties involved.
- ___ I have no bias with respect to the property that is the subject of this report or to the parties involved with this assignment.
- ___ I have performed no services, as an appraiser or in any other capacity, regarding the property that is the subject of this report within the three-year period immediately preceding acceptance of this assignment.
- ___ My engagement in this assignment was not contingent upon developing or reporting predetermined results.
- ___ My compensation for completing this assignment is not contingent upon the development or reporting of a predetermined value or direction in value that favors the cause of the client, the amount of the value opinion, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of this appraisal.
- ___ My analyses, opinions, and conclusions were developed and this report has been prepared, in conformity with the Uniform Standards of Professional Appraisal Practice.
- ___ I have made a personal visit and observation of the property that is the subject of this report.
- ___ Héctor R. Correa Carrasquillo provided significant professional assistance to the persons signing this report, except noted.



Guido E. Picón, MIE
State Certified General Real Estate Appraiser
Certificate No. 40CG
State License No. 598EPA

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ASSUMPTIONS AND LIMITING CONDITIONS

This report is submitted to the following Assumptions and Limiting Conditions:

1. LIMIT OF LIABILITY:

Liability of the Guido Picón & Associates Appraisal Firm and its employees is limited to the fee collected for preparation of the appraisal. There is no accountability or liability to any third party.

2. COPIES, PUBLICATION, DISTRIBUTION, USE OF REPORT:

Possession of this report of any copy thereof does not carry with it the right of publication, nor may it be used for other than its intended use; the physical report(s) remain the property of the appraiser for the use of the client, the fee being for the analytical services only. The report may not be used for any purpose by any person or corporation other than the client or the party to whom it is addressed or copies without the written consent of an officer of Guido Picón & Associates Appraisal Firm and then only in its entirety.

Neither all nor any part of the contents of this report shall be conveyed to the public through advertising, public relations efforts, sales, or other media, without the written consent and approval of an officer of Guido Picón & Associates Appraisal Firm nor may any reference be made in such a public communication to the Appraisal Institute, or the M.I.E. designation.

3. CONFIDENTIALLY:

The appraiser may not divulge the material (evaluation) contents of the report, analytical findings or conclusions, or give a copy of the report to anyone other than the client or a designed as specified in writing except as may be required by the Appraisal Institute and they may request in confidence for ethics enforcement, or by a court of law of body with the power of subpoena.

This appraisal is to be used only in its entirety and no part is to be used without the whole report. All conclusions and opinions concerning the analysis are set forth in the report were prepared by the appraiser whose signature appears on the appraisal report, unless indicated as "Review Appraiser". No change of any item in the report shall be made by anyone other than the appraiser, and the appraiser and firm shall have no responsibility if any such unauthorized change is made.

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4. TRADE SECRETS:

This appraisal was obtained from Guido Picón & Associates Appraisal Firm and consists of "trade secrets and commercial or financial information: which is privileged and confidential and exempted from disclosure under 5 U.S.C. 552 (b) (4). Notify the appraiser(s) signing the report or an office of Guido Picón & Associates Appraisal Firm of any request to reproduce this appraisal in whole or in part.

5. INFORMATION USED:

No responsibility is assumed for accuracy of information furnished by or from others, the client, the client's designed, or public works. We are not liable for such information or the work of possible subcontractors. The comparable data relied upon in this report has been confirmed with one or more parties familiar with the transaction or form affidavit; all are considered appropriate for inclusion to the best of our factual judgment and knowledge.

6. TESTIMONY CONSULTATION, COMPLETION OF CONTRACT FOR APPRAISAL SERVICE.

The contract for appraisal, consultation or analytical service is fulfilled and the total fee payable upon completion of the report. The appraiser(s) or those assisting in preparation of the report will not be asked or required to give testimony in court or hearing because of having made the appraisal, in full or in part, nor engage in post appraisal consultation with client or third parties except under separate and special arrangement and at additional fee.

7. EXHIBITS:

The sketches and maps in this report are included to assist the reader in visualizing the property and are not necessarily to scale. Various photos, if any, are included for the same purpose and are not intended to represent the property in other than actual status, as of the date of the photos.

8. LEGAL, ENGINEERING, FINANCIAL, STRUCTURAL OR MECHANICAL NATURE HIDDEN COMPONENTS, SOIL:

No responsibility is assumed for matters legal in character or nature, nor matters of survey, nor of any architectural, structural, mechanical, or engineering nature. No opinion is rendered as to the title, which is presumed

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to be good and merchantable. The property is appraised as if free and clear, unless otherwise stated in particular parts of the report.

The legal description is assumed to be correct as used in this report as furnished by the client; the client's designed, or as derived by the appraiser.

The appraiser has inspected as far as possible, by observation, the land and the improvements thereon, however, it was not possible to personally observe conditions beneath the soil, or hidden structural or other components, or any mechanical components within the improvements; no representations are made therein as to these matters unless specifically stated and considered in the report; the value estimate considers there being no such conditions that would cause a loss of value. The land or the soil of the area being appraised appears firm; however, the appraiser has no knowledge of subsidence in the area. The appraiser does not warrant against this condition or occurrence of problems arising from soil conditions.

The appraisal is based on there being no hidden, unapparent, or apparent conditions of the property site, subsoil, or structures, which would render it more or less valuable. No responsibility is assumed for any such conditions or for any expertise or engineering to discover them. All mechanical components are assumed to be in operable condition and status standard for properties of the subject type. Conditions of heating, cooling, ventilating, electrical and plumbing equipment are considered to be commensurate with the condition of the balance of the improvements unless otherwise stated. No judgment is made as to adequacy of insulation or energy efficiency of the improvement or equipment.

9. LEGALITY OF USE:

The appraisal is based on the premise that there is full compliance with all applicable federal, state and local environmental regulations and laws unless otherwise stated in the report; further, that all applicable zoning, building, and use regulations and restrictions of all types have been complied with unless otherwise stated in the report; further, it is assumed that all required licenses, consents, permits, or other legislative or administrative authority, local, state, federal and/or private entity or organization have been or can be obtained or renewed for any use considered in the value estimate.

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10. COMPONENT VALUES:

The distribution of the total valuation in this report between land and improvements applies only under the existing program or utilization. The separate valuations for land and building must not be used in conjunction with any other appraisal and are invalid if so used.

11. AUXILIARY AND RELATED STUDIES:

No environmental or impact studies, special market study or analysis, Highest and Best Use Analysis study or feasibility study has been requested or made unless otherwise specified in an agreement for services or in the report. The appraiser reserves the unlimited right to alter, amend, revise or rescind any of the statements, findings, opinions, values, estimates, or conclusions upon any such subsequent study or analysis or previous study or analysis subsequently becoming known to the appraiser.

12. DOLLAR VALUES PURCHASING POWER:

The Market Value estimated, and the costs used, are as of the date of the estimate of value. All dollar amounts are based on the purchasing power and price of the dollar as of the date of the value estimate.

13. INCLUSIONS:

Furnishings and equipment or business operations, except as specifically indicated and typically considered as a part of real estate, have been disregarded with only the real estate being considered.

14. PROPOSED IMPROVEMENTS CONDITIONED VALUE:

Improvements proposed, if any, on or off-site, as well as any repairs required are considered, for purposes of this appraisal, to be completed in good and workmanlike manner according to information submitted and/or considered by the appraisers. In cases of proposed construction, the appraisal is subject to change upon inspection of property after construction is completed. This estimate of Market Value is as of the date shown, as proposed, as if completed and operating at levels shown and projected.

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15. VALUE CHANGE, DYNAMIC MARKET, INFLUENCES:

The estimated Market Value is subject to change with market changes over time; value is highly related to exposure, time promotion effort, terms, motivation, and conditions surrounding the offering. The value estimate considers the productivity and relative attractiveness of the property physically and economically in the marketplace. The "Estimate of Market Value" in the appraisal report is not based in whole or in part upon the race, color or national origin of the present owners or occupants of the properties in the vicinity property appraised.

In cases of appraisal involving the capitalization of income benefits, the estimate of Market Value is a reflection of such benefits and appraiser's interpretation of income and yields and other factors derived from general and specific market information. Such estimates are as of the date of the estimate of value; they are thus subject to change as the market is dynamic and may naturally change over time.

16. MANAGEMENT OF THE PROPERTY:

It is assumed that the property which is the subject of this report will under prudent and competent ownership and management; neither inefficient nor super-efficient.

17. The fee for this appraisal or study is for the service rendered and not for the time spent on the physical report.

18. The authentic copies of this report are signed in blue ink. Any copy that does not have the above is unauthorized and may have been altered.

19. The appraiser(s) signing this report have no knowledge concerning the presence or absence of urea-formaldehyde foam insulation; if such insulation is present, the value of the property may be adversely affected and re-appraisal at additional cost necessary to estimate the effects of such insulation.

20. ENVIRONMENTAL DISCLAIMER

The value estimated in this report is based on the assumption that the property is not negatively affected by the existence of hazardous substances or detrimental environmental conditions. The Appraiser is not an expert in the identification of hazardous substances or detrimental environmental

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- conditions. The Appraiser's routine inspection of inquiries about the subject property did not develop any information that indicated any apparent significant hazardous substances or detrimental environmental conditions, which would affect the property negatively. It is possible that tests and inspections made by a qualified hazardous substances and environmental expert would reveal the existence of hazardous materials and environmental conditions on or around the property that would negatively affect its value.
21. The Americans with Disabilities Act ("ADA") became effective January 26, 1992. The appraisers have not made a specific compliance survey and analysis of this property to determine whether or not it is in conformity with the various detailed requirements of the ADA. It is possible that a compliance survey of the property, together with a detailed analysis of the requirements of the ADA, could reveal that the property is not in compliance with one or more of the requirements of the Act. If so, this fact could have a negative effect upon the value of the property. Since the appraisers have no direct evidence relating to this issue, possible noncompliance with the requirements of ADA in estimating the value of the property has not been considered.
 22. ACCEPTANCE OF, AND/OR USE OF, THE APPRAISAL REPORT CONSTITUTES ACCEPTANCE OF THE ABOVE CONDITIONS.

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ENGAGEMENT LETTER

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PO Box 362708
San Juan, PR 00936-2708
(787) 765-6800

September 16, 2020

Guido Picón
URB. ENTRE RÍOS 136
PLAZA SERENA
TRUJILLO ALTO, PR
00975-6170

RE: 83251
American Management, Inc.
Brief Property Description: Commercial

Dear Guido Picón,

We hereby request your services for the performance of an appraisal report for the property located on:

Pueblo and Carrizales Wards
State Rd. #2 KM. 84.7

Puerto Rico, Hatillo

Intended Use: Commercial Credit Administration

Intended User(s): Banco Popular de Puerto Rico

The appraisal report shall include the following value(s), to be developed in accordance with the value definitions as established by the Appraisal Institute and/or the Interagency Appraisal and Evaluation Guidelines:

VALUE TYPE

☒ Market Value

☐ Liquidation Value

☒ Replacement Cost New*

*Replacement Cost New, if required, should be based on refined base cost and exclude land, depreciation, entrepreneurial profit and additional indirect costs. **IMPORTANT:** If property consists of separate structures, please indicate the replacement cost for each structure separately.

EFFECTIVE DATE OF VALUE PERSPECTIVE

☒ As-Is (On Appraiser's Date of Inspection)

☐ Prospective Value Upon Completion

☐ Prospective Value Upon Stabilized Occupancy

REPORTING OPTION

☒ Appraisal Report

☐ Form Report

The appraisal report should be submitted by email in full-color pdf (with photos and addendums).

The appraisal report will have to meet the minimum standards described under the "Uniform Standards of Professional Appraisal Practice" (USPAP) and Title XI of the "Financial Institutions Reform, Recovery and Enforcement Act" of 1989 (FIRREA). The appraisal must also meet the following standards of content and reporting:

Appraisal must include sufficient current market information to support the value conclusion. For those cases in which grouping of the lots is necessary for the functionality of the appraised property, this assumption should be enhanced and properly discussed and analyzed for underwriting and valuation purposes.

Please include an signed copy of this Engagement Letter in your report.

The appraisal report should be submitted to AppraisalDeliveries@popular.com on or before 5 PM, 10/28/2020.

Once received, the appraisal report will be subject to an appraisal review. Should we require clarification or corrections to the submitted appraisal report, you agree to respond promptly to our requests. Any corrections or amendments to the appraisal report resulting from our review process shall be at no additional cost to the Bank.

As agreed, fees for your services, payable upon our acceptance of your appraisal report, will be \$4200. To this fee, a service tax (if applicable) will be applied and included as a separate amount in your invoice for these appraisal services. The calculation of the service tax percentage will be based on the tax rate in effect as of the date of the appraisal report.

Should you have any questions, please feel free to contact us at (787) 765-6800, Bonita Colón Rodríguez, of our Appraisal Ordering and Review Department, will be your principal point of contact with regards to this appraisal report. She may be reached by e-mail at bonita.colon@popular.com. You may also contact Ms. Nalle Ramírez, Ordering Supervisor, at Nalle.Ramirez@popular.com.

We appreciate your services, and look forward to receiving the appraisal report on or before the agreed date.

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Banco Popular Appraisal Ordering



Agreed and Accepted By: _____

Title: Managing Partner

Print Name: Guido Picon

Date: 9-16-2020

Comments:

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QUALIFICATIONS OF THE APPRAISERS